The MAGAZINE of WALL STREET

Vol. 24 July 5, 1919 No. 6

THE OUTLOOK

Peace at Last—Position of the Bond Market—Progress of Business —Gold Movements—The Market Prospect

THE notable feature of the recent market has been the smaller activity on rallies. The edge is off the public's appetite for stocks. On the other hand, there has not been the heavy profit taking which usually marks the culmination of a bull market.

Those who believe that the bull market is over attribute the relatively light selling by large interests to the effect of the taxes on profits, which would take away from the fortunate possessors of large incomes the greater part of the benefits of the advance. These commentators also call attention to the fact that, if stocks have not been sold at high prices they cannot be bought back at lower prices, so that a decline once under way may meet less support than would have been normal under similar conditions in the past.

The optimists, on the other hand, argue that if large interests have not sold their stocks the burden on the market will be relatively light and the floating supply will be small, so that declines will not run far and rallies will be easy.

These two points of view afford an excellent and rather amusing illustration of the way in which the same condition may be differently interpreted to suit individual desires or temperaments. It seems to us that one argument balances the other, and that the principal effect of the taxes on profits has now been realized, so that the market may reasonably be expected to show a more normal behavior hereafter.

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Peace At Last

IN spite of the many small wars which are still in progress, the signing of the Treaty means that peace, from the larger point of view, is now a fact. The great commercial nations are in a position to turn their attention to domestic problems, of which they have plenty. The normal course of trade will be gradually resumed.

The signing of the Treaty has been so long expected that the markets took the actual event rather calmly. The general question now is "After peace—what?" The markets will look forward to the next great development affecting our trade and investments.

The peace demand for our goods can hardly exceed the war demand. The question is not whether we can increase our foreign trade but to what extent we can maintain it.

The world is now relatively free to turn its attention to reconstruction and the development of new enterprises, and these channels of activity will gradually become more and more important as compared with goods for immediate consumption.

Position of the Bond Market

THE market for corporation bonds has come practically to a standstill at a low level, but still a few points above the low point of 1918. The continued big demands for capital are balanced by the effect of low prices, and the result is a condition of quiescence.

The important effect of high commodity prices in increasing the demand for capital and thus tending toward low prices for bonds, has been clearly brought out in recent articles in this publication. Judging from the relation between these factors in the past, we cannot expect much advance in bonds so long as commodity prices continue on their present high level.

The decline in commodity prices from the top, reached in the last half of 1918, has so far been slight and a good part of even that small recession has been recovered. Some are predicting still higher commodities. Temporarily, this seems likely, but we shall be surprised if any permanent advance occurs beyond the high war levels.

The natural condition is for deflation to follow inflation just as reaction follows action. In the present instance the working out of this principle will be slow, largely because inflation is worldwide; and the more economical use of gold to support paper currency will doubtless prevent any return to the pre-war level of prices. Nevertheless we do not believe that the natural working of this principle will be entirely superseded. Ignoring temporary changes, the next great movement of commodity prices should be a slow, gradual downward swing, extending over a period of years.

If this conclusion is correct, the present stationary bond market will eventually be followed by a slow upward trend.

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Bonds and the Supply of Capital

COMING to influences more immediately effective, the many new investment issues now coming on the market or under consideration are absorbing new capital, so that comparatively little is left to go into the older bonds. The Government also continues its demands upon the market, recently placing a new issue of Treasury certificates.

As to Europe's demands for capital, it would undoubtedly be glad to take all we can supply for some time to come, provided that we are satisfied with the security offered. In many cases our investors will doubtless be willing to make considerable advances, and leading banking institutions are actively planning ways in which foreign securities can be most advantageously placed before the American public.

The extent of this movement cannot yet be accurately gauged, but there can be no doubt that foreign securities will come into competition with our home bonds to an important extent, thus reducing the general supply of investment capital.

With the present widespread prosperity of industry, capital is of course accumulating rapidly for investment purposes. If it were not for the heavy demand for funds to clear up the confusion and destruction left by the war, bond prices would be rising steadily; but as matters actually stand all accumulating capital will find an abundant demand at good rates of interest, and the maintenance of the current level of bond prices is probably about all that can be expected for the present.

Liberty bonds have been declining slowly under the selling of small holders who have difficulty in completing their payments. This factor will constantly decrease in importance, as most of those who have kept up payments so far will now be able to complete them.

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Business Prospects

THE exhaustion of supplies resulting from the war is now making itself felt in the prices of many articles. For a time buyers hesitated, hoping to fill their requirement at lower figures, but that hesitation is rapidly passing away and its place is being taken by confidence that current values will be maintained.

Stocks of goods, which were generally light last fall and winter, are still moderate, but dealers show more of a disposition to stock up. In leather and wool, there is genuine scarcity and prices are back to the war levels or above.

The metals, which showed special weakness after the signing of the armistice, are now rallying. Talk of price-cutting in steel has disappeared. Copper has risen over four cents a pound from its lowest point. The minor metals generally show a rising price tendency.

There is one factor which might check the improving trend of industry. That would be the inability of foreign nations to go on buying our goods. As to their need for the goods there is no question, but Europe will be short of funds with which to buy. We shall extend a considerable amount of credit through the medium of foreign securities placed here, but whether that will be enough to maintain the present lively demand for our goods is a question which is yet to be settled by events.

However, it is not only the impoverished belligerents that are short of goods but also the neturals, most of which have prospered through filling the exceptional demands of the war at high prices. It will be a long time before the great commercial nations of Europe are again in a position to supply the wants of South America and the Far East.

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Gold Exports and Imports

NOW that restrictions on the export of gold from this country have been removed, a moderate outward flow has set into those countries where our purchases have recently exceeded our sales. On the other hand, the countries which have bought our goods most heavily still maintain their restrictions on gold, so that gold is not coming to us from them. If they were to attempt to pay what they owe us in gold, a tremendous sum would be required—far more than could be spared, and far more than we have any proper use for.

Under such circumstances, the small outflow of gold which is now taking place has no real significance. The amounts we owe other nations are trifling compared with the amounts owed to us by other nations, and with our barge supplies of gold the export movement will have no important effect.

When Europe can get into a position where it will be possible to remove restrictions on gold exports is a serious problem. A free gold market would mean a discount on the paper money of most of the European belligerent nations. But worse than that, it would mean a reduction in the gold base beneath those currencies which might prove dangerous. The reconstruction of European currencies is one of the great problems of pace and cannot be accomplished at any early date.

In the mean time, the immediate effect will be to swell our imports and to place a handicap on our exports to those countrie swhere, because of the restrictions on gold, the dollar is at a premium. Our May imports of merchandise were the largest ever recorded at $329,000,000 and this is a tendency that must be expected to continue.

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The Market Prospect

THE average of industrial stocks is now again near its high point, after a sharp reaction and a recovery on lighter business. The rails have not rallied as much as the industrials. Washington outgivings on the railroad situation are of a character to arouse gloomy forebodings, but they do not adequately represent the spirit of the people. The railroads are just as necessary to the country as the country is to the railroads, and we do not believe Congress will adopt the policy of crippling them financially.

We are inclined to expect a reactionary treed in the general market for the immediate future. The great advance in prices since February has overdiscounted the progress of business. On the other hand we see no sound reason for any serious decline at present. A period of backing and filling, with diminished activity and somewhat lower prices for most issues, seems to be the most probable outcome.

Monday, June 30, 1919.

War Changes Status of Silver

By SENATOR KEY PITTMAN

White Metal Is Now a Dominating Factor in Commerce —Many Countries on a Gold Basis Use Silver for Domestic Needs

EDITOR'S NOTE—Senator Key Pittman of Nevada, who has contributed to this issue of "The Magazine of Wall Street" an instructive and timely article on the future of silver, is one of the Administration leaders in the Senate, a position he has achieved by force of marked ability. He is now serving his second term and is still one of the younger members. He was born in 1872 and began his service in the Senate in January, 1913.

Senator Pittman was among the first in the rush to Alaska in 1897. He stayed there for four years and contributed much to the maintenance of order in that rough community. He was one of the committee that formulated the "consent" form of government for Nome, and was the first prosecuting attorney of the gold camp. He went to Tonopah, Nevada, in 1902 and entered upon the practice of law there.

Naturally, coming from a mining State, Senator Pittman has given a great deal of study to monetary and financial questions. In the Senate he is considered an authority on those subjects and because of his eminence in that line he was requested by the Administration a year ago to prepare the bill, later to be known as the Pittman Act, and to guide it through the Senate. Under that measure the silver dollars in the Treasury were converted into bullion and placed at the disposal of the Allies, principally Great Britain. It has been said that without the relief accorded through the Pittman Act the relations between Britain and her Asiatic colonies would have been desperate, with consequent disastrous results to the Allied cause in general. It was Senator Pittman's genius which saved the day in a most material sense.

THE silver situation is challenging the attention and study of the statesmen and financiers of the world.

There has been little change for many years in the physical facts surrounding the production of the metal, but its position as a dominating factor in commerce seems to have only been awakened by remarkable demonstrations during the war.

At the time of the passage of the Pittman act in April, 1918, a critical situation was threatened in India by reason of the inability of Great Britain to obtain silver to supply the Indian demand.

Some day the proper British authorities may consider it advisable to tell the world how serious this situation was and how vital our action was to the successful termination of the war.

There was no surplus supply of silver in the world, except the silver dollars in the United States Treasury, held to redeem silver certificates issued against them. It then became known to all governments that the production of silver had always been exceedingly limited.

A study of the statistics demonstrated that during the past seventeen years the world's production of silver annually had not exceeded 175,000,000 ounces, and that in each of those years the demand had constantly doubled that of the production.

The war demonstrated the instability of governments—the instability of fiat paper money—and a commercial necessity for metallic money. It also demonstrated the insufficient supply of gold. Every government was utilizing every power to retain its gold, and one of the methods of retaining gold was to pay in silver.

It also developed that there are peoples who are so prejudiced in favor of silver metal—that they will even decline to accept gold in payment of debts. Such people are few and it is only mentioned as one of the incidents that forced the consideration of the silver problem upon the statesmen and financiers of the great countries.

China, Japan and nearly all of the Latin-American countries, although on a gold basis, transact most of their domestic commerce with silver. India is a great sink for silver. No silver that enters there returns to the world's circulation again.

Production of silver has been decreasing throughout the world while the demand has been steadily increasing as the world's commerce has increased.

SENATOR KEY PITTMAN

The United States produces over one-third of the annual production of the world; the United States, Canada and Mexico produce over three-quarters of the silver of the world, and up until the passage of the Pittman act, the silver market of the world was dominated in London and the price of silver there arbitrarily fixed each morning.

Our Government by promising to buy silver whenever it dropped to one dollar per ounce prevented London from fixing the price below that amount. In other words, it took the control of the silver market away from London. How was it possible for London to control the silver market when nearly all of the silver was produced on the American continent?

This was very simple. There were thousands of producers and sellers of silver and they were prevented from combining under our anti-trust statute while there was virtually only one buyer in the world, and that was London. In other words, the buyers were combined and the sellers were wildly competing that they might continue the silver industry.

Congress passed the Webb-Pomerene Act to meet just such conditions. Under this bill, our silver producers may combine to meet foreign combinations. When this is accomplished the value of silver will be fixed by the law of supply and demand.

The law of supply and demand ran the price of platinum up during the war from about $30 an ounce to over $100 an ounce. If the demand for silver is even twice the supply, we have a right at least to assert that the price of silver is going up much higher.

If it goes to $1.29 per ounce it will bring about a change in the parity of gold and silver as used in our money exchanges. This would undoubtedly cause a great deal of inconvenience to the world's monetary systems.

It would possibly result in the melting up of silver coin and its translation into bullion. The United States would suffer less from this inconvenience than almost any other nation by reason of its large production.

It is very difficult to see why any of our statesmen or financiers would oppose an increase in the value of any product of which the United States produces virtually one-third. The natural progression of silver towards a value fixed by supply and demand will be expedited by the establishment of a silver exchange. Such exchange will keep the producer, the purchaser and the broker constantly informed as to the supply and demand.

In my opinion, the ultimate result of the silver movement is the readjustment and stabilization of money exchanges through an international monetary conference.

Will Money Scarcity Check Expansion?

By G. C. SELDEN

The Real Meaning of Recent High Rates for Call Money —Why the Present Situation is Quite Different from That Before the War

WE have recently enjoyed the unusual spectacle of call money at 15%—there were rumors of loans at 20%, but these could not be confirmed —while the rate for time money was almost unchanged at 6% to 6½% and commercial paper was changing hands at a 5½% rate.

A visitor from Mars might well ask why one man should have to pay 15% for money while another paid only 5½%. Money—or rather credit, to be more strictly exact—is known as the most liquid of all purchasable and salable things; that is, it flows the most readily from one use to another, or from one section of the country to another, so that rates tend to equalize themselves very quickly.

Why then did not money from maturing loans on commercial paper, or from maturing time loans, or money which was about to be loaned in either of these ways, flow over into the call money market and prevent such a ridiculous rate as 15%?

It had been rather expected that the Federal Reserve System, with its great changes in our banking methods, would put an end to exorbitant money rates. Why has it not done so?

High Rates Temporary

One reason why money was not attracted into the call market by the high rates was that bankers and lenders generally realized that such rates could not last more than a few weeks, at most It was plain enough that these extreme rates were due to the deliberate policy of the Federal Board in discouraging rediscounting and in delaying the redeposit in the banks of the checks sent in to the Treasury in payment of income taxes.

There was nothing surprising in this attitude of the Board. As early as the June 7th issue of this publication, it was stated in *The Outlook*:

"Unquestionably the banks, by concerted action, could find some way of checking the increase in loans which results from rapidly rising stock prices. The demand for loans for strictly industrial purposes may be expected to grow, and eventually to draw credit away from the Stock Exchange in a normal way; but in the present situation the banks might easily conclude that, for the general public interest, the rise of loans ought in the meantime to be held reasonably in check."

The Treasury and the Federal Reserve Board found the way, and the only sound criticism of their action is that, if some check to loans on stock exchange collateral had been applied earlier the progress of the market would have been more orderly and the extremely high rates for call money would have been unnecessary.

It may easily be guessed that the results of the Board's action were more emphatic than had been anticipated, for the Treasury has now called for redemption an issue of bond certificates amounting to $532,000,000 which otherwise would not have been due until July 29. This is in addition to $730,000,000 of tax certificates which came due June 15, and $600,000,000 bond certificates maturing June 17. And the Treasury allowed the banks to anticipate, if desired, the maturity of $687,000,000 more bond certificates which came due July 1.

In this way a great deal of money has been made available for the use of the money market. But on the other hand the Federal Board now has on hand an investigation as to the extent to which money borrowed on Government bonds is being used for other purposes, especially for the purchase of other securities; and all the banks connected with the Federal System are therefore going over their loans to make sure that, like Caesar's wife, they are above suspicion. And this, of course, is another reason why money on call for stock exchange use has been scarce, while commercial

paper rates have risen only about one-quarter of one per cent.

Banks Which Can Loan

If the entire banking system of the country was directly under the control of the Federal Board, it would be possible in this way, through moral influence and through overhauling of the books, to limit the supply of money available for the stock market while still leaving abundant credit for strictly commercial purposes. In other words, the Federal Board could direct the flow of loans pretty much as it chose.

But there are still a large number of State and private banks and trust companies which have not joined the Federal System and which therefore can loan where they please, except as they may feel the necessity of keeping the good will of the Federal Banks with which they are doing business.

These banks are hardly likely to undertake any extensive rearrangement of their loans merely in order to catch a few days of abnormally high rates for call money, but if time money at New York—which is, of course, a very important of stock exchange loans—should show a permanently higher rate than commercial paper of the class dealt in by these institutions, they would assuredly arrange to take advantage of the opportunity.

It should be borne in mind, in this connection, that the 5½% rate now quoted for commercial paper at New York is lower than the corresponding rate in interior cities. This is partly because New York is the money center of the country and partly because a good deal of the interior commercial paper, although well known and well rated locally, would not be so acceptable to New York buyers as to local buyers.

Therefore the commercial paper rate of 5½% is not directly comparable, for most of the banking institutions not connected with the Federal System, with the time money rate, at the present time, of 6% or 6½%. But a 7% time money rate, if it were to be established now, would undoubtedly bring loans into the market from institutions of this class.

In fact, the Federal Board would have to keep pretty close watch to prevent money from filtering from member banks through non-member banks and thence into time loans on stock exchange collateral. The Federal Banks should certainly be permitted to make moderate loans to non-member banks or trust com panies—and it is absolutely none of their business what said State banks or trust companies do with the money after they get it, provided that they keep themselves in a position to repay it when due.

The prospect is, therefore, that time money will continue to be available for Stock Exchange purposes, but that in times of active demand it will command a greater premium over money for commercial use than it usually commanded before the adoption of the Federal Reserve System. To that extent the stock market will be at a relative disadvantage compared with the requirements of general business.

There can be no question that this condition is a decided improvement over pre-Federal Board days. Then money used to accumulate in times of business dullness until it became a drug on the market at New York. The result was to unduly stimulate speculation—for when an investor can borrow money at 3% with which to carry a security paying 7% dividends, the price of that security is likely to show a strong upward trend, and the upward movement then attracts that still more highly speculative class of buyers who are thinking only of profits and care nothing at all about rates of interest.

If money for stock exchange purposes costs relatively more than for commercial uses, those periods of rising prices which result from the piling up of idle money will be sooner checked, and for that reason the ensuing fall will be less violent. The speculator who borrows money at a high rate with which to buy securities at high prices—which is just what the public does at the top of nearly every bull market—is of no benefit to his country and may well be penalized by having to pay somewhat more than the rate of interest which is current on business money.

On the other hand, when prices are low and stock exchange loans are contracted, the buyer of securities is usually

doing his country a genuine service—and at such times he will find money easily available at or near current business rates of interest.

The Money Prospect

Bank loans are now very much extended. Before the war the loans and deposits of the New York Clearing House banks were generally not far from equal. In June, 1913, for example, loans were about $1,320,000,000 and individual deposits about $1,340,000,000, which was a normal state of affairs. But now loans are $4,930,000,000 and individual deposits $4,166,000,000.

This looks, at first glance, as though loans had outrun deposits to a dangerous extent; but we have to remember that a large part of the loans are now based on Government bonds, and are therefore of an entirely different character from the loans to business men and to investors which comprised nearly the whole of the loan account before the war. Therefore the big excess of loans over deposits does not necessarily indicate an overextended situation.

It is highly important that the tremendous loans by banking institutions throughout the country on Government bonds and Treasury certificates should be liquidated, because the rediscounting of these loans swells the volume of our Federal paper currency abnormally and thus tends towards money inflation; but these loans do not by any means indicate that the business men of the country are overextended, because they are not loans made for ordinary business purposes. Incidentally, the very small business failures from month to month show plainly that business men are not overextended.

Business loans, as distinguished from investments or other loans, are always the controlling factor in the money market for the period of the "Minor Cycle." Business has always taken credit accommodations away from the stock market when business really needed the money, and it will do so even more easily now, as explained above.

So the money prospect depends essentially upon whether business will need more credit. It seems pretty clear that it will. Commodity prices show no signs of falling. Inventories are based on those prices, therefore the money required to carry them will remain about the same or possibly increase with growing business activity. We are planning a great effort in the field of foreign trade. Such an effort requires money.

The steel, copper, and other constructive industries are now relatively inactive, and it is reasonable to assume that their activity will show some increase. A boom in building construction is already under way. Demand in the field of more immediate consumptive requirements shows no let-up.

The natural expectation, therefore, is that the commercial paper rate will tend slowly upward, and that it will push the time money rate up ahead of it until the point is reached where it will no longer pay investors to borrow money on which to operate.

In the meantime there is no reason to expect any further pinch in the New York money market. The high rates of June were largely in the nature of an object lesson, set forth by the Federal Board for the good of investors' souls. Nevertheless, if speculators should again become unduly exuberant, means would doubtless be found to throw cold water on their overheated enthusiasm.

EQUITABLE TRUST ISSUES TAX HELP CARD

Along with copies of the "ownership certificates" which are required under the Federal Income Tax Law, the Equitable Trust Co., 37 Wall Street, is sending to its clients and friends, on a small card in clear tabular form, an explanatory statement regarding the use of these certificates both for interest on bonds of domestic and resident corporations and also for interest on bonds of foreign countries and interest on bonds and dividends on stocks of non-resident foreign corporations. The Income Tax Department of the Equitable Trust Co. is conducted by Franklin Carter, Jr., son of a former president of Williams College.

How to Read a Bond Circular

By GEORGE E. BARRETT

Continuation of Chap. VI of the Series "How to Invest" —Sinking Funds—Taxation—Sponsorship—Legal Opinions—The Question of Additional Securities

VERY often a special paragraph is devoted to the question of equity. This word is to convey the idea of the margin of safety which exists as a protection for the security holder. It is represented by the market value of the "junior" securities or those which follow the issue being described in the circular. For example, if a debenture, bond or note is being offered, the market value of the preferred and common stocks of the company represent the opinion of the public as to the value of the corporation, over and above the securities being described in the circular.

Sinking Fund

In the case of securities having a sinking fund, a paragraph is usually devoted to a description thereof.

There are various kinds of sinking funds, and they may be features of varied importance. Almost any type of security may have a sinking fund. The idea of a sinking fund is to provide for a retirement of a part or all of a security. In the case of bonds, it would be the retirement of part or all of the issue before maturity. In the case of a preferred stock it might provide the only means by which the stockholders could ever expect a retirement of the issue, as stocks do not have a maturity date.

In the case of bonds, the sinking fund is as much a part of the obligation of the corporation as the payment of interest. A sinking fund provision in a bond usually requires that a certain sum be used each year in purchasing the bonds in the market or calling them for redemption. It may provide that a certain percentage of the greatest amount of par value of the security issued be retired each year, or it may be a certain percentage of the amount outstanding on a certain date each year, which is to be retired.

In the case of preferred stocks, the sinking fund is usually a provision that the corporation shall use funds for retiring preferred stock only in case the earnings are sufficient and after having paid dividends on the stock. Usually a sinking fund provision in preferred stocks is a requirement ranking similar to, but junior to, the provision for the payment of dividends thereon. In addition to the methods for determining the amount of a sinking fund, described in the case of bonds, preferred stock sinking funds are often based upon a certain percentage of the earnings of the corporation after the payment of dividends. This is the most modern form of preferred stock sinking funds.

Money in the sinking fund may be used to purchase the securities in the open market and in such a case a figure is usually stated as a limit above which the security may not be purchased in this manner. Provision may be made for the calling of the security. In such a case, for example, the numbers of all the bonds outstanding are drawn out by lot until a sufficient number have been drawn to use the funds in the sinking fund. These numbers are then advertised in the public press and interest on the bonds called ceases. Naturally, if an investor does not see the notice for the calling of his securities, he will learn of the matter at the next interest payment date, but at such time will find that he will not receive his interest. Banking houses usually keep track of the numbers of the securities held by their clients, and follow the numbers called for sinking fund purposes, notifying their clients in case they hold any of the securities drawn. Another method is to advertise that there is a certain fund available for the retirement of the security requesting tenders. Those offering their securities at the lowest price have them thus retired.

Purpose of Issue

Sometimes a paragraph is inserted, telling the reason why the securities are issued. It may merely state that the proceeds are for corporate purposes. The funds may be for additions to the property, for improvements or to strengthen the corporation's cash position. Generally new capital is raised to enlarge the capacity of the corporation to handle additional business or to increase the efficiency with which it can handle its present volume of business. A great part of the financing done each year in this country is for refunding purposes, that is to pay off maturing securities through the issuance of new securities. Occasionally securities are sold to the public representing the sale of part or all of the interests of the old managers of the business. This is dangerous from the standpoint of the investor unless the retirement of the present management is to make way for another as good or better. The particular point of interest to the investor is that the new capital is for a sound business purpose.

Issue of Additional Securities

Paragraphs may be included regarding the issuance of additional securities authorized in the mortgage or indenture securing the issue but not at present outstanding or included in the present offering. This is naturally an important matter in the case of bonds. It would be unsound to permit a corporation to issue additional bonds, sharing in the security of those at present outstanding unless full value were received and added to the security. In fact, it is usually provided that for a hundred dollars expenditures upon the properties, possibly only seventy or eighty dollars of bonds may be issued. The balance of the funds have to be provided through junior securities or out of earnings. Reliable banking houses, however, take care of this matter in all cases, and it is therefore often omitted from the circular describing the issue.

Outlook and Miscellaneous

Quite frequently a circular may contain a paragraph relating to the prospects of the corporation in the immediate or distant future. Statements containing estimates and forecasts are generally used in offering industrial stocks. The statements may give the estimated earnings for the following one or more years, or they may be just general statements of an optimistic nature.

Taxation

Frequently circulars bear the statement, "Free from the normal income tax." "Exempt from personal property tax in New York state." "Tax refundable in Pennsylvania."

The principal forms of taxation affecting security holders are the Federal income tax and the state personal property tax.

Federal income taxes are being changed almost every year. At the present time the income received by an investor in bonds or notes is subject to the income tax. Unless, however, a person's income subject to taxation is very large, the actual amount required to be paid to the Government is relatively so small that it does not substantially change the rate of income received. It should be borne in mind that the income tax is on the income received from a security and not on the principal. A tax of 5% on the income of a security is an entirely different matter from a 5% tax on the principal.

Some corporations have agreed to pay interest without deductions for the normal Federal income tax by a provision in the indenture securing the issue. At the present time the Government has ruled that this applies to only a 2% tax and therefore the income from such securities is subject to the balance of the income taxes according to the class in which the investor belongs.

Income received as dividends on stocks is at the present time exempt from the normal Federal income tax. There are two normal taxes of 2% each, and therefore dividends are exempt from normal taxes aggregating 4%. They are subject, however, to the surtaxes.

State personal property taxation is a feature of varying importance in different localities. In some states the rates are so high that the governments have found it impracticable to enforce the laws, as strict enforcement would drive capital out. That is, therefore, a matter for special consideration of an investor accord-

ing to the particular requirements of the tax laws of the state in which he is domiciled.

Inheritance taxes do not make any special distinction between securities left by a deceased and other property. In some states, however, there is a penalty attached to securities left in an estate in case they have not paid the personal property tax in the state. For example, in New York state, there is a penalty of 5% tax on the principal of bonds left in an estate which has not paid the personal property tax or paid for the special exemption from the regular personal property tax as provided by law.

Legal Opinions

In the case of the issuance of any securities offered by reliable banking houses, a firm of prominent attorneys invariably passes upon the legality of the proceedings affecting the issuance of the securities. They render an opinion which is placed upon file in the office of the banking house, copies of which are available for inspection and are sometimes available for distribution attesting the legality of these proceedings.

When the properties of a corporation have been appraised, or the books of accounts audited, it is customary to state the name of the firm of attorneys, appraisers, or accountants who have rendered these respective reports, usually this appears at the bottom of the first page of a circular.

Name of the Banking House

Perhaps one of the most important matters for the investor in purchasing securities is to note the banking house or houses offering the security. The general public has learned to recognize the value attaching to the name of the banking house offering securities. While investment houses do not guarantee the securities they offer, they usually have purchased the securities which they offer with their own funds and have their reputation at stake when they place their recommendation behind an offering to the public. The reputation of a banking house gained through years of successful service to investors, means to the investor hat the soundness of the issue has been thoroughly investigated and that in case unforeseen difficulties do arise, every effort will be made to protect his interests. In many cases investment houses have been known actually to assume and pay losses incurred through the purchase of securities they have offered and recommended, although there is no obligation to do this. The name of the banking house appearing on the first page of the circular may not be that of the house of issue. This can usually be determined by noting to whom the president's letter describing the security is addressed.

Other Information

It might not be amiss for an investor to refer to the other sources from which the necessary information for an investigation of the value of securities may be obtained.

Aside from the circulars of investment houses there is usually other and collateral information obtainable from the same sources regarding the particular securities. Usually there are supplementary booklets, or memoranda available for distribution, together with annual reports of the companies and other literature. On file at an investment banking house there is often a copy of the accountant's report, showing an audit of the books of the company and an engineer's report or an appraiser's report, giving the valuations of the company's property and copy of legal papers, such as trust indentures, mortgages, etc. Generally speaking, the average investor does not go into these matters, but it is of interest to know that they are available to give any information which the investor may desire.

There are, of course, financial publications of value in making an investigation of securities. Some of these are Moody's Railroad, Public Utility and Industrial Manuals, Poor's Railroad, Public Utility and Industrial Manuals, current issues and bound volumes of the Commercial and Financial Chronicle and other books of information and reference more particularly given in the bibliography appended to this book.

(Series to be continued)

The How and Why of Foreign Exchange

Mechanism of International Money Market Is So Sensitive It Registers Commercial Fluctuations with the Delicacy of a Scientific Instrument

I SHOULD very much like to see an article published on Foreign Exchange, giving the reasons for fluctuations and showing how an alteration in one country affects all the rest; for instance, supposing American exchange on England falls considerably below $4.87, why should it affect the Portuguese exchange rate and send it up considerably above par?—G. S.

* * *

The foreign exchange market at the present time has been more disturbed by conditions growing directly out of the war than any other phase of business, and will in all probability be the last to return to normal. If you pick up the financial page of your newspaper you will find London exchange quoted at $4.64 or thereabouts to the pound, francs at 6.42 to the dollar, and lire at about 7.80 to the dollar.

This represents a state of affairs that before the war was absolutely inconceivable, for any length of time. Up to 1914 a rise or fall of the pound to $4.84 or $4.88 would be enough to cause a commotion, as the exchange markets were run on the closest of margins, going up or down by sixteenths of a point at a time. Now the exchange market is a wide-open speculative affair, going up or down in huge waves, like stock prices on an active day.

It is obvious that the "pounds," "francs," and "lire" quoted at those abnormal prices are not the actual gold pounds, francs or lire. There is just as much gold in a pound sterling as there ever was. What these transactions represent is not gold, but commercial paper, called "bills of exchange," and representing a right to draw on a foreign bank to a specified amount in some foreign currency.

How Exchange Works

In normal times this is how the exchange market operates: Between any two countries of importance there are always two great streams of payments to be made in money or money equivalents, for goods or services. The three great sources of money payments from one country to another are: foreign trade, dividends and interest on the securities of one country held by residents of another, and shipping charges incurred by one country for the use of the shipping facilities of another.

The problem in all of these payments is how an American who uses only dollars, can pay his debts to an Englishman, who has no use for anything but pounds sterling. Of course, it would be possible, under ordinary conditions, for some part of the debt to be paid in gold, as gold currency of any country is universally acceptable at its bullion weight. But gold payments are risky and inconvenient, and it is not good business to have Americans sending gold to England to pay their debts, and have the same gold brought back to America on the next steamer to settle English debts to this country.

It is much more in accordance with modern business practice to make these payments in drafts on an English bank, in other words, paper representing gold instead of the actual gold. Hence arises the exchange market; it is a place where an American with a £100 debt to pay in England can buy a £100 draft on an English bank, with which to settle his account.

Now these drafts, like any other article of business, are subject to the laws of supply and demand. If a good many people in New York are asking for English drafts or "bills" at the same time, while not many people have English drafts to sell, the price of English bills or "exchange" will go up. On the other hand, if everybody in New York is selling English bills and very few are being bought, the price will go down, and English exchange will be said to be "at a discount," while dollars are "at a premium" as compared with sterling.

The supply and demand of drafts indicate the trend of money payments between any two countries. Between England and the United States, for example, if England should export more goods to us than we sent to her, and should hold a large amount of American securities on which money payments would have to be made at regular periods, and should also have a large merchant marine and insurance organization, which would collect freight charges and insurance premiums from our shippers, it is clear that there would be a great demand in the New York market for English bills with which to pay off these various obligations incurred to England, and so the price of exchange on England would rise. If, on the other hand, we sold large quantities of goods to England, larger than any payments we would have to make to her, there would be a heavy demand in London for American bills of exchange, little demand here for British bills, and in consequence the dollar would go up and the pound go down.

In normal times, however, with the free export and import of gold permitted, these rises and falls could not go very far in

either direction. For if, under the pressure of a heavy New York demand for English bills, the price of sterling rose very much over the par of $4.8665 to the pound, say to $4.90, the American who had English bills to pay would find it cheaper to get metallic gold with which to settle, and pay the freight and insurance charges on it. Hence exchange, in a market from which gold could flow freely and to which gold had full access, never went further up or down than the average cost of shipping gold. There were thus two points, one above and the other the same distance below par, beyond which exchange could not go, because beyond these points it was more profitable to use gold than paper. These were called the "gold points."

Interdependence of Exchange Markets

But exchange rates could not shift in this way between any two big markets without affecting their relations with other markets. For instance, if dollars were at a heavy premium over pounds because of peculiar conditions affecting England and America only, while Anglo-French exchange remained at par, in a very few hours American exchange on Paris would be at a premium too. For the exchange broker on the Paris Bourse could buy up American dollar drafts at par and sell them to the Englishman with American debts to pay, who would be willing to pay a little extra for them to the French broker because of the premium on dollars. Since several French brokers would realize this at once and proceed to bid in Paris for them, the price would be bid up on American dollars as against francs, too, as well as against pounds. In this way any powerful movement on any exchange market is transmitted to all the others.

There is an intimate connection between exchange and foreign trade. For a heavy excess of merchandise exports over imports for the United States means, of course, a heavy demand created in foreign exchange markets for American bills, and consequently a rise in the value of the American dollar abroad as compared with foreign currencies. On the other hand, as soon as this happens, people hesitate to buy from this country because they know they will have to pay extra for the exchange with which to settle their bills, and also make strenuous efforts to sell to the United States because they know they can get good prices for their American drafts if they offer them in the open market. Hence, through the operation of the exchange market, an overheavy balance of trade tends to correct itself in normal times.

Where there is a difference of any importance between the interest rates prevailing in any two countries, there is certain to be a reflection of this difference in the exchange market. The country where the rate of interest is lower is apt to hold back its exchange bills, thus avoiding the necessity of using gold to settle its accounts. For should the interest rate in the United States, for instance, rule higher for any length of time than average rates in England, the London market would purchase our bills as an investment, and would therefore have sufficient drafts on American banks not to have to send gold.

Thus another of the functions of the exchange market, besides being a substitute for the use of metallic gold in settling foreign transactions, and a barometer of the credit or debt position of a nation in international finance, is to stabilize the rate of interest as between the great nations.

What the War has Done

Very early in the war it was realized that gold could not be permitted to flow freely from one country to another, because it was needed so badly by all the belligerents as a basis for international credits. Accordingly the free export of gold was abolished, and the various governments practically commandeered all the stocks of the metal. The exchange markets, without the stabilizing influence of the "gold points," fluctuated widely until the Allies established a fixed rate for their exchanges, well below par but not too far below. For England this rate was fixed at $4.74 a pound, and France set hers at 5.46, par being 5.1813 francs to the dollar.

This "pegging" was conducted by having the Allied Governments buy up all bills offered at their stated price, much as our Government stabilized wheat at $2.25. On March 17, however, the French government announced that it would no longer keep up the "pegged" price, and on the 19th the British government made a similar announcement. Since that time the exchanges have been going heavily against European countries, with the exception of the neutrals. There are no prospects of a return to parity unless free gold exports from Europe are permitted, which apparently will not occur for a considerable time to come.

Leading Opinions

About Financial, Investment, Banking and Business Conditions

America Must Help Europe, Says Davison

It will require broad co-operation between all American industrial and financial interests to help reconstruct Europe and benefit this country as well, said Henry P. Davison of J. P. Morgan & Co. in an address before the Chicago Club. While not proposing any definite plan, he suggested a plan of organization of the credit facilities of this country so that they could work in co-operation with the great producing interests and make fair decisions on the various requests for help from different European nations. He said in part:

"It is essential to co-ordinate our industrial and financial interests as regards exports so the proper credits can be extended, say, in cotton, steel, metals, agricultural machinery, and foodstuffs, perhaps under the form of corporations. When Poland, for example, asks for $100,000,000 in goods, including cotton, copper, tobacco, etc., the demand for cotton would be referred to the cotton organization, and so on. This cotton body would determine if the demand was normal and legitimate and would take security. This would bring about direct communication between consumer and producer.

Webster in *Detroit News.*

THE ONLY COMPETITOR IN SIGHT.

"I believe it possible to organize in Europe a committee to pass upon the demands of all countries. When this committee makes a request, we will comply.

"If we want business to continue properly we must have an outlet for our products. Europe is our greatest customer. If we want our industries and our mines to keep operating and our farms to remain prosperous, we must have Europe as a customer."

"Cannot Abandon Europe"—Colver

America's continued assistance is necessary if Europe is to be saved from catastrophe, according to William B. Colver, Chairman of the Federal Trade Commission, in an address delivered before the National Wholesale Groceries Association. Unless the paralysis of industry overseas is cured soon, revolution will spring up all over Europe and even spread to America, he asserted.

Taking up again the question of the closer relations that must exist between United States and Europe, Mr. Colver said:

"In this situation voices in the United States are heard to say, 'Let us back up and pull out and leave the whole mess,' but we can no more pack up and move out," declared Mr. Colver, "than we can leave the planet. If it were possible to pull out and leave Europe to its own destruction and ourselves escape unscathed, that might be done. But inevitably if Europe falls into political, industrial and commercial destruction, the same wave will engulf this country. There is no such thing as isolation possible on this planet."

"Continued commercial and industrial paralysis there will mean Red revolution from the British Isles to the Dardanelles. And revolution there will spread to America as certainly as the dawn comes across the Atlantic."

"Capital Must Concede"—Vanderlip

That capital would have to admit some of labor's claims in order to avert industrial chaos was the view expressed by Frank A. Vanderlip, late President of the National City Bank, in a commencement address delivered at the University of Illinois. He said that if the worker could be induced by capital to take a genuine interest in his work, in the long run it would work out best for both capital and labor. In this connection he is quoted as saying:

"Capital must recognize the propriety of labor's claim for a larger voice in industrial affairs. It must allow this claim and then see to it that the worker is brought into such relations to his job that he will work honestly and sympathetically."

The present dissatisfaction of labor is resulting in chaos, the financier said, because workers are losing interest in their jobs, and are deliberately reducing production. Labor as well as capital is cheated by such a state of affairs, for capital can divide with labor only the product of their joint efforts. When labor reduced this product it reduces its share of the whole.

"Labor's demands for shorter hours, shop committees, and representation are just so far as they relate to the conditions surrounding the workmen," he concluded. "I do not think that labor wants a voice in determining industrial policies."

"Greater Production Hope of Future"—Roberts

Education in sound economic principles and greater world production of commodities was the solution for current economic unrest offered by George E. Roberts, assistant to the President of the National City Bank, at a meeting of the Iowa Bankers' Association. He attacked economic theories which would divide society into autonomous warring groups, and said that to counteract these influences a thorough education in the laws of economics and social evolution was necessary. On the subject of increasing output he said:

"The secret of social advancement is in increased production. We want thirty bushels of wheat to the acre instead of fifteen; machinery that will make ten yards of cloth where it now makes five, and so on all around the circle.

"The theory of the day seems to be that each industry belongs to the particular people in it, without regard to interests of the rest of the community. This is a theory which would divide society into warring groups and classes whose interests would be in conflict. The remedy for this is education in sound economic principles. There is no security for civilization except as the natural laws which govern the production and distribution of wealth and make for the evolution of society are understood.

"We are hearing a great deal now to the effect that a new era has begun; in which the common people will fare better, that labor is about to have a larger share of the joint product of labor and capital than in the past. We all hope that is true, but it can only be brought about by increasing the production of the good things that are to be divided. You can't divide any more than all there is."

Ripley Expects Railroad Litigation

In explanation of some remarks in his annual report, President E. P. Ripley of the Atchison, Topeka and Santa Fe Railroad said that he did not believe the railroads would be able to settle their accounts with the Government without resource to law-suits. The main trouble with the railroads at the present time, he said, was the unusually heavy depreciation which had not been compensated for by the Government. In a Chicago press report he is quoted as saying:

"No reflection was intended either on the Railroad Administration or on its probable program," explains Mr. Ripley. "It may be possible for us to arrange our affairs with the government without litigation. That will be difficult, however.

"If we assume that President Wilson's recommendation is carried out, the railroads will have been at the time of their surrender in public hands two years, during which period they have got jammed up more or less. The sorest spot is the equipment, which has been made a composite item for all the roads.

"Santa Fe's originating wheat movement is probably greater than that of any other American railroad," he said, "and our crop this year promises to be the largest we ever had to handle. Wheat requires absolutely tight cars to prevent loss from leakage. Now, it is all right for us to repair foreign cars up to our standard of 'good order' so long as the government controls, but the end of the period of control is so near that we naturally begin to anticipate it.

From *Judge*.

MY, WHAT A FOURTH OF JULY.

"Maintenance will continue to be a very difficult problem. The courts cannot solve it, of course. About all they could do would be in the way of appraising damages and equities."

Warfield Disparages Government Ownership

An attack on the Government operation of the railroads was made by S. Davies Warfield, President of the National Association of Owners of Railroad Securities, in an address before the National Industrial Traffic League. He gave some of the details of his own plan, which provides for a fixed percentage minimum return on the investment in railroads. In speaking of the disappoint-

ment that Government operation had been, he said:

"It is not necessary in these days to discuss Government ownership; Government control and operation, and its utter failure to meet public demands or the demands of economy has completely killed that issue unless revived through failure on the part of Congress to enact adequate legislation for the permanent solution of the railroad problem." Mr. Warfield continued in part:

"It is therefore incumbent upon all of us to impress upon Congress with as complete unanimity of purpose as possible, not only the urgent necessity of all possible speed in the enactment of remedial legislation, but that such legislation must be definite and complete in its measure of protection of all the various interests concerned if private operation and ownership is to continue and be made permanent. It was necessary for a jolt of the magnitude of the war to dislodge the old prejudices, the old ideas, to give the illustration of what Government ownership would be, in the complete failure of Government control and operation through which we have all been passing since the Government assumed control of the railroads.

From the *Republic* (St. Louis).

ISN'T HE A BOUNCING BOY?

"They are now putting in effect serious reductions in expenditures for maintenance of way and equipment of the railroads presumably to retard the startling growth of the current deficit. If the roads are kept up to normal maintenance requirements this deficit the current year will far exceed one billion dollars. This cut in maintenance will not only seriously impair the properties but the curtailment in the service and in facilities for handling your business incident thereto will be equally serious."

Hurley Urges Return of Ships

The Shipping Board favors the private ownership and operation of the American Merchant marine. It also desires the withdrawal of the Government from shipbuilding as well as shipowning, according to testimony given before the Senate Commerce Committee by Chairman E. N. Hurley of the Shipping Board. Incidentally, he stated that he believed the Board should be abolished. His report to the committee stated:

"United States merchant ships should be placed under private ownership and operation at once."

"The Shipping Board should be abolished and the Government should withdraw from all shipping activities."

"This policy should go into effect at the earliest time practicable in order to give steamship operators sufficient confidence to invest their money in existing ships and to place their orders for new ships."

The Government should not construct any ships beyond the present program, Mr. Hurley said, except to complete the balance of the fleet. Everything should be done to stimulate competitive operations, he said.

"Legislation needed for the development of the merchant marine is that empowering the President to complete the task of building the neuclus or the building merchant marine; power to sell government owned steel vessels at world market prices to American citizens; on favorable terms; power to sell undesirable government-owned coal-burning steel craft to foreign purchasers; provide for the insurance of American ships with American money and development of an American marine underwriting business; requirement that each purchaser, manager and operator for Government account should be incorporated under Federal charter under new corporation."

Barnes Upholds Wheat Guarantee

In conference with representatives of the various industries connected with wheat, U. S. Wheat Director J. H. Barnes defended the policy of the Government in fixing the price of wheat high enough to assure the farmer of a fair price for his product, saying that it would have been unwise to attempt to force the price of wheat downward in order to exploit the farmer for the benefit of the consumer. Referring to the fixed price, Mr. Barnes said:

"It is the latest and the fairest expression of fair price between producer and consumer in this country.

"Those who would restore the farm prices of past years of depression in this era of increased prices for labor, machinery, and all

the supplies that farming requires would tend to throw the largest basic industry of America into confusion and demoralization that would reach far beyond the confines of that agricultural class alone.

It is far safer, and far more sane, to help ease the necessary readjustment which credit and currency enlargement have forced upon the world in the form of higher prices. Far more effective in public service it is to help that readjustment bear as lightly as possible until those who are most unfavorably affected by it may have a chance to realign their defense and re-adapt their habits. I cannot believe that it is the desire of any business community in America to unduly profit by the wider fluctuations of a higher price level. More, I believe, as they understand the distress which has followed the readjustment of prices, that they would help in every way to reduce that economic pressure by elimination of hazards, reflected in larger tolls between producer and consumer, and I believe than to be willing, at some sacrifice to themselves, to make sure that this vital necessity, food, may bear as little of trade burden and expense as possible.

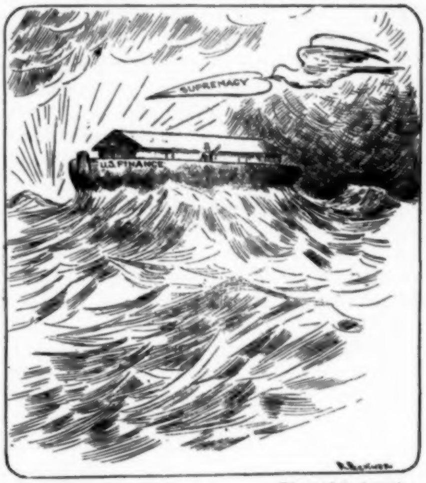
"To think that an artificially depressed price for wheat would be decisive in reducing prices of other foods is, in my judgment, pure theory and not capable of demonstration. Nothing in our experience of the last two years confirms it. Wheat has been stable without change. Yet during that period corn, rye and barley have fallen far, far below and risen far, far above the wheat level. On the contrary, could the old play of world-wide supply and demand be reinstated wheat might easily soar to new heights, because as food it has a superior value and a value under present conditions of desperate need that may well give it a peculiar premium."

Hedley Wants Higher Fares

A plea for higher fares for the Interborough system was made by Frank Hedley, Vice-President and General Manager of the Interborough Rapid Transit Company, at a hearing before Commissioner Delaney, in charge of transit construction. He declared that the reason the company was not putting any money into improvements was that it was losing money on its present traffic on a five-cent basis. On this point he said:

"The Interborough cannot take on any further obligations. We cannot raise a dollar for new construction work to which we are not now pledged. The reason is that we are selling five cents worth of transportation that is costing us a great deal more. We cannot long continue to do that. We have almost expended the surplus moneys we saved up when five cents was a profitable fare. The fare is not now sufficient to pay the operating expenses and the return upon the investment. Our first obligation must be to finish the work under contract No. 3; then if we can raise the money for new stations, all well and good.

"What is the use of trying to build up business if the business must be done at a loss? It isn't business. We have got to have more money for carrying these subway people or we will go broke. And it won't take long. I tell you we have developed a wonderful railroad. The signal system alone cost $4,000,000. We have put millions into improvements. But if more money is not to be had I tell you the railroad will go backward instead of forward."



Financial America.
BRINGING BACK THE LONG GREEN.

"Advertising Needed in Trade"—Rivas

The importance of foreign language advertising in any attempt to secure foreign trade was the theme of a special communication to a New York newspaper by Dr. Angel Cesar Rivas, editor of the Spanish Bulletin of the Pan-American Union. He stressed the necessity to our commerce of paying attention to the language of the countries with which we proposed to deal. On this subject he said, in part:

On account of the difference existing between manufacturing industry and extractive industry, whether the latter be agriculture or mining, those devoting themselves to the former have imposed upon them the initiative in the advertisement or the propaganda referred to. The stage of agriculture and mining precedes the stage of manufacture. In order that a people may arrive at the latter stage it is necessary that they should first have attained the former, or if not, to be able to dispose of the elements necessary to acquire the raw materials not produced on their own soil. Even more, a truly manufacturing people is one that after having supplied its own needs overflows with its goods into the markets of others.

Attractive Bonds for Institutions and Conservative Investors

By JACOB H. SCHMUCKLER

Requirements of Bonds for Institutional Funds—Yields vs. Safety for the Conservative Investor—Lists of Conservative Short and Long Term Issues

THE three chief classes of institutions which resort extensively to investing their funds in bonds are: Insurance companies, trust companies and banks of all types. As is the case with the individual investor, these institutions buy bonds chiefly for income. However, there are a number of other reasons why they do so, and the considerations which govern them in choosing any particular issue are of a rather special character.

Requirements for Institutional Investments

Insurance companies buy bonds with the view of safely investing their funds to secure an income from which to meet the demands upon them. Ordinarily they hold on to the issues they purchase permanently. They are therefore, interested in sound bonds yielding as high a return as is compatible with absolute safety and having a rather long maturity. The matter of marketability is important, but not so significant as with other classes of institutions.

Trust Companies are interested in bonds in which to invest the funds which they hold as trustees or their own funds. Acting as trustee, the issues they can choose are generally prescribed by state laws. The requisites of an issue for this purpose are very similar to those of bonds purchased by insurance companies. Safety of income and principal is of course the first requirement. As the bonds are to be held for investment, marketability is not a vital or an immediate consideration.

In the investment of their own funds trust companies are not so minutely regulated as in the selection of trustees' investment and the requisites of an issue suitable for this purpose are materially different. While substantial amounts are deposited in trust companies for long periods, ordinarily they carry extensive demand deposits, upon which they must make good on call. Investments made with such funds must therefore be readily marketable, with slight or no loss in prin-

TABLE I—CONSERVATIVE, ATTRACTIVE SHORT TERM ISSUES

Issue	Maturity	Price About	Yield
American Telephone 6s	February, 1924	100¼	5.95%
American Thread 6s	December, 1928	102	5.75
Anaconda Copper 6s	January, 1929	100	6.00
Bethlehem Steel 7s	July, 1923	102¼	6.30
Chicago, Burlington & Quincy joint 4s	July, 1921	96	6.05
Colorado & Southern first 4s	February, 1929	86⅝	5.80
Great Northern 5s	September, 1920	99¼	5.45
LaClede Gas 7s	January, 1929	100¼	6.95
Pennsylvania Company 4½s	June, 1921	97½	5.95
St. Paul Union Depot 5½	December, 1923	99½	5.60
Southern Railway 6s	March, 1922	99¼	6.30
Union Pacific Convertible 4s	July, 1927	88¾	5.80
Anglo-French 5s	October, 1920	97⅛	7.00
Dominion of Canada 5s	April, 1926	97¼	5.45
United Kingdom of Great Brit. & Ire. 5½s	November, 1921	98½	6.20

cipal value, and they must be readily acceptable as collateral.

The type of issue which best fulfills these requirements is usually the short term bond or note. Early maturity adds stability to its market course, and the issue is paid at par within a few years or less, so that the funds are not tied up for long. There is a strong preference for short term issues among institutional investors who may have to liquidate their investment at almost any time.

The considerations governing the selection of investments by savings and commercial banks are essentially the same as those in other classes of institutions. The investments permitted for the funds of savings banks are regulated by strict laws, which in some states are identical with the issues available for trustees' investments. The requirements of such bonds have been presented above—security of principal and income and the highest rate of return obtainable without sacrificing safety. As these securities are to be held permanently, ready marketability is not a very vital matter excepting for a limited portion of the total funds invested.

Commercial banks require unquestionable safety in their securities and as in the case of funds of trust companies, the ability to liquidate at any time without loss is essential. Hence commercial banks show a strong predilection for early maturing issues. Bonded investments serve as a secondary reserve among commercial banks and to a lesser degree among other classes of institutions.

Yield vs. Safety

The rates of return generally obtainable from issues suitable for this purpose are comparatively small. This is especially true where the bonds are among those fixed as legal by state laws, not only because the degree of safety is usually higher in such issues but because a special demand has to be satisfied with a limited supply. While there are a large number of well secured corporation bonds still available to yield from 6 to 6½%, the "legals" returning 5¼% or over are few.

Still it seems possible to the writer to increase the income from institutional investments without unduly sacrificing safety. This is of course easier where the range of choice is not limited by legal restrictions, but even in this class there are always a few issues that are cheap.

Another consideration to be borne in mind is that in a rising bond market

TABLE II—CONSERVATIVE AND ATTRACTIVE LONG TERM ISSUES

Issue	Maturity	Price About	Yield
Atchison adjustment 4s	1995	74	5.48%
Chesapeake & Ohio general 4½s	1992	79¾	5.60
Chicago & Western Indiana cons 4s	1952	64½	6.66
Illinois Central Collateral 4s	1952	77½-80	5.35
Kansas City Scuthern refunding 5s	1950	86	6.00
New York, Chicago, St. Louis first 4s	1937	83	5.50
Pennsylvania Company guaranteed 4s	1931	87½	5.50
St. Louis, Southwestern first 4s	1989	71½	5.70
Southern Pacific San Trans. Terminal 4s	1950	76½	5.55
Southern Pacific Central Pacific Coll. 4s	1949	76	5.60
New York Telephone debenture 6s	1939	100½	5.97
Terminal Association of St. Louis gen. 4s	1953	73⅛	5.65
American Telephone collateral trust 5s	1946	91	5.70
Armour & Company real estate 4½s	1939	87¾	5.55
Pacific Gas & Electric general 5s	1942	86⅞	6.10
Bethlehem Steel purchase money 5s	1936	88½	6.07
Illinois Steel debenture 4½s	1953	86	5.45
Chile Copper collateral 6s	1932	92	7.00
Wilson & Co. first 6s	1941	100¼	5.96

purchasing long term issues is better policy than restricting investments to early maturing bonds. Long term bonds show greater market appreciation than those of shorter term, and it is very often possible to secure bargains in longer maturities which will give a good rate of return and can be marketed at a profit.

In making this point the writer is not suggesting speculation in bonds but is merely thinking of how to secure the largest benefit out of investments for institutions without going counter to the fundamental principles governing their selection. The bond market is, in my opinion, pretty close to the bottom, and will undoubtedly show a rising tendency of a slow but steady character for some time to come. In such a market the shifting from short term to long term issues should prove especially satisfactory.

The conservative individual investor will find much of value in the principles and regulations governing institutional investments. For one thing he will secure safety, although as a rule he will have to pay for it in smaller income. Generally speaking the individual investor can find plenty of sound investments outside of those legal for savings banks' and trustees' holdings which will give him a higher rate of return and about as good or even a better market. Excepting possibly for a very limited portion of its funds he will do better to leave the "legals" alone.

Attractive Issues

Tables I and II herewith present, respectively, attractive short term and long term bonds for the investments of institutions and conservative investors. All classes of institutional investors will find a number of good purchases among these bonds. Many of them are legal investments for savings banks and trustees in a number of States.

All of the bonds suggested are very strongly secured and most of them are very high grade. Excepting three or four issues, the rates of return are 5½% or greater. With few exceptions most of the bonds have pretty active markets.

ACTUAL AND THEORETICAL DEPRECIATION OF PROPERTY

By E. A. Langwish

ONE of the most important things that engage the auditors' attention and interest the banker, the investor, the business man and all interested in physical property, is applying a just application of depreciation. Only recently in this country has this exhaustion of property received the thought that it deserves, yet in a great many instances its value is not fully understood.

Depreciation, while not always visible, is in some form taking place and should be allowed for, this being added to the cost of the product. Where this shrinkage in value of an asset is not given proper allowance the question of a true statement arises immediately.

The question often arises in an asset account that has recently taken an abnormal rise in the item of "machinery"—but the underlying principle is practically the same as it relates to all.

The depreciation of machinery arises from wear and tear, obsolescence and inadequacy. The sole object of providing depreciation instead of writing off the loss incurred is to charge equally against the profit and loss account for different periods. Depreciation being an equal charge and unavoidable loss resulting from the various causes named, this expense should be considered as a working expense. The fluctuations in the price of machinery have no bearing on the depreciation of this "fixed capital" account when used for manufacturing purposes. Whether a rise in price should enter into the accounts at all must be considered on separate basis.

The accountant and appraisal engineer measure depreciation on different scales. The accountant has devised methods to distribute the depreciation equally through the life of this asset, through the depreciation account, whose function is to provide for replacement and prevents the load from falling too heavily on one or several years.

The engineer studies the actual conditions, and a study of his report will show a very small percentage for depreciation during the early life of the asset, and an immediate drop the latter part of its utility life. His judgment is based on general inspection, and his percentages are nothing more than estimates arising from his experience in regard to average life under similar conditions.

BOND BUYER'S GUIDE

Arranged by F. M. Van Wicklen

THE following table includes many of the active bonds listed in the New York Stock Exchange. An endeavor has been made to arrange these bonds in the order of their desirability as investments, based upon security of principal and income return. The arrangement below, however, attempts to balance these two factors. *This table appears in every other issue of this magazine.*

Foreign Government Bonds

	Approx. Price July 2	Approx. Yield Per cent
U. K. Gt. Brit. & I. 5½s, 1937	99¼	5.55
Paris 6s, Oct. 1921	97¾	7.05
*Anglo-French 5s, Oct. 15, 1920	97	7.40
*Jap. 2nd Ser. German Stpd. 4½s, 1925 (Par value $974)	88	6.40
*French Cities 6s, Nov., 1919	99	9.75
U. K. Gt. Brit. & I. 5½s, Nov., 1919	98⅞	6.00
Dom. Canada 5s, April, 1921	98½	5.75
Dom. Canada 5s, April, 1926	97	6.05
*Am. For. Sec. 5s, Aug., 1919	100	5.00
U. K. Gt. Brit. & I 5½s, Nov., 1919	100	5.50
Dom. Canada 5s, April, 1931	98¼	5.20

Railroad Bonds Legal for New York State Savings Banks

	Approx. Price July 2	Approx. Yield Per cent
First Grade:		
Pennsylvania Gen. 5s, 1968	95½	5.30
*So. Pac. Ref. 4s, 1955	80½	5.20
Lou. & Nash. Unified 4s, 1940	84½	5.20
At. Coast Line Cons. 4s, 1952	83½	5.05
C. Burl. & Q., Ill. 3½s, 1949	83½	5.55
C. Burl. & Q. Gen. 4s, 1958	82	5.05
Union Pacific 1st 4s, 1947	86	4.95
*Norf. & West. Cons. 4s, 1996	81½	4.95
C. & North West. Gen. 5s, 1987	99½	5.05
†Union Pacific Ref. 4s, 2008	80	5.00
*Nor. Pac. P. I. 4s, 1997	81	4.95
N. Y. Cent. 1st 3½s, 1997	71½	4.95
Lake Shore 1st 3½s, 1997	73	4.85
*Atch., T. & S. Fe Gen. 4s, 1995	81½	4.95
Pennsylvania Cons. 4½s, 1960	95	4.80
Illinois Cent. Ref. 4s, 1955	81¼	5.15
M. St. P. & S. S. Marie Cons. 4s, 1938	84	5.35
*C. M. & St. Paul Conv. 5s, 2014	79¼	5.50
Del. & Hudson Ref. 4s, 1943	84	5.15
Gt. Northern 4¼s, 1961	86	5.15
Nor. Pacific Gen. 3s, 2047	60	5.05
†Balto. & Ohio 1st 4s, 1948	75½	5.75
†Balto. & Ohio p. l. 3½s, 1925	88½	5.75
Second Grade:		
*C. M. & St. Paul Conv. 4½s, 1932	78	7.10
C. M. & St. Paul Ref. 4½s, 2014	69½	6.45
†N. Y. Cent. Ref. 4½s, 2013	83½	5.40
†Balto. & Ohio Conv. 4½s, 1933	78	7.00
Balto. & Ohio Ref. 5s, 1995	80½	6.20

Railroad Bonds Not Legal for New York State Savings Banks

	Approx. Price July 2	Approx. Yield Per cent
First Grade:		
C. Burl. & Q. Joint 4s, 1921	96	6.70
†Union Pacific Conv. 4s, 1927	88½	5.85
Lehigh Valley 6s, 1928	101½	5.75
Oregon Sh. Line Ref. 4s, 1929	86½	5.85
At. Coast L., L. & N. Coll. 4s, 1952	77	5.55
Lake Shore Deb. 4s, 1928	88½	5.65
Ill. Cent. C. St. L. & N. C. Joint 5s, 1963	90¼	5.60
Col. & So. 1st 4s, 1929	86½	5.75
Seaboard A. L. 1st 4s, 1950	71	6.10
*Virginian Ry. 1st 5s, 1962	90½	5.60
†Cent. Pac. Ref. 4s, 1949	80	5.35
Wabash 1st 5s, 1939	95½	5.40
Southern Ry. Cons. 5s, 1995	94½	5.30
Union Pacific 6s, 1928	104	5.45
Kans. City Term. 1st 4s, 1960	79	5.25
N. Y. Cent. L. S. Coll. 3½s, 1998	67½	5.20
C. Rock I. & Pac. Gen. 4s, 1988	76	5.30
†Reading Gen. 4s, 1997	83½	4.80
Second Grade:		
*St. L.-San Fran. p. l. 4s, 1950	62	7.05
Den. & R. Grande Cons. 4s, 1936	70½	7.00
§Col. & So. Ref. 4½s, 1935	79½	6.60
Southern Ry. Dev. 4s, 1956	67	6.30
Mo. Pac. Ref. 5s, 1923	94	6.75
Ches. & Ohio Conv. 4½s, 1930	83	6.75
Ches. & Ohio Conv. 5s, 1946	89½	5.75
So. Pac. Conv. 4s, 1929	85½	5.95
†So. Pac. Conv. 5s, 1934	106¼	4.40
C. Rock. I. & Pac. Ref. 4s, 1934	72¾	6.95
*N. Y. Cent. Conv. 6s, 1935	99⅞	5.00
Kans. C. So. Ref. 5s, 1950	86½	5.95
*Pere Marquette 5s, 1956	88½	5.75
Mo. Pac. Gen. 4s, 1975	62½	6.30
C. C. C. & St. Louis Gen. 4s, 1993	71	5.70
St. L. So. West 1st 4s, 1989	71	5.70
†Erie Cons. 4s, 1996	69	5.80
†Erie Gen. 4s, 1996	55	6.65
Chic., Gt. West. 1st 4s, 1959	60	6.80
West Md. 1st 4s, 1952	60	6.95

Industrial Bonds

	Approx. Price July 2	Approx. Yield Per cent
*Beth. Steel Ref. 5s, 1942	91	5.70
Western Electric 1st 5s, 1922	97¼	5.80
§Central Leather 1st 5s, 1925	97¼	5.50
*Am. Smelt. & Ref. 1st 5s, 1947	90	5.75
§Comp. Tab. & Rec. S. F. 6s, 1941	84	7.50
Wilson & Co. 6s, 1941	100½	5.95
*Midvale Steel, 5s, 1936	90¼	5.90
§Chili Copper Coll. Tr. & Conv. 6s, 1932	92	6.95
Texas Co. Deb. 6s, 1931	102	5.74
Illinois Steel Deb. 4½s, 1940	86	5.63
Colo. Industrial 1st & Coll. 5s, 1934	80	7.20
Am. Cotton Oil Deb. 5s, 1931	88	6.45
Inter. Mer. Mar. 6s, 1941	98¼	6.15
*U. S. Rubber Ref. 5s, 1947	88⅜	5.85
§Chicago Union Station, 4½s, 1963	85¾	5.35
Armour & Co. R. E. 4½s, 1939	87⅞	5.50
Rep. I. & Steel 5s, 1940	95	5.40
Gen. Elec. Deb. 5s, 1952	98	5.15
Indiana Steel 1st 5s, 1952	96½	5.20
U. S. Steel S. F. 5s, 1963	100½	4.95
Braden Copper Coll. Tr. 6s, 1931	96½	6.40
†Lackawanna Steel Cons. 5s, 1950	94¼	5.35
National Tube 1st 5s, 1952	98⅞	5.05
Va. Car. Chem. 1st 5s, 1923	98½	5.40
Colo. Fuel & Iron 5s, 1943	93½	5.50
Amer. Hide & Lea. S. F. 6s, 1919	100	6.00
Corn Prod. Ref. 5s, 1934	100	5.00
Corn Prod. Ref. 5s, 1931	101½	4.80

Public Utility Bonds

	Approx. Price July 2	Approx. Yield Per cent
West. Union R. E. 4½s, 1950	90	5.15
*Am. Tel. & Tel. Conv. 6s, 1925	103½	5.30
*Am. Tel. & Tel. Coll. 4s, 1929	84⅞	6.05
*Am. Tel. & Tel. Coll. 5s, 1946	91	5.65
*N. Y. Telephone 4½s, 1939	89¼	5.35
Consol. Gas N. Y. Conv. 6s, 1920	102⅜	4.15
Int. Rap. Tran. Ref. 5s, 1966	74¼	6.70
Public Serv. Corp. N. J. 5s, 1959	78	6.50

*—In denominations of $100, $500 and $1,000.
†—In denominations of $100, and $1,000.
§—In denominations of $500 and $1,000.

Current Bond Offerings

Briefly Discussed and Analyzed

A BRIEF discussion and analysis of the new important bond offerings will be a regular feature of THE MAGAZINE OF WALL STREET hereafter. The number of new offerings was cut down quite substantially during the war period and until the close of the Victory Loan Campaign. With this event over, varied offerings have begun to appear in large amounts and flotations will continue to be extensive for some time. These should include a number of very attractive purchases for all classes of investors and the purpose of this department will be to present the salient facts concerning them. The status of each bond as to taxation will be discussed as fully as possible, and issues available in less than $1,000 pieces will be so designated.

LIST OF CURRENT OFFERINGS

Issue	*Maturity*	*Offering Price*	*Yield to Maturity*
Government and Municipal:			
United Kingdom of Great Britain & Ireland Fundg. 4s	1960-'90	£80	....
United Kingdom of Great Britain & Ireland Vict. 4s	....	£85	....
Swedish Gov't 20 yr. 6s	June, 1939	99½	6.05%
Federal Land Bank, Farm Loan 4½s	May, 1939	100½	4.38@4.50*c, e*
Commonwealth of Pennsylvania 4¼s	uly, 1924-49	101.57@106.15	3.90*a*
State of Oregon, Highway 4s	1924-44	93.26@98.00	4.45*a, d*
Sebastian County, Ark. Bridge, Dist. of Fort Smith 5s	Oct., 1920-'39	100.00	5.00*a*
Scotts Bluff County Court House 5s	July, 1930-'39	102.12@103.20	4.75*a*
City of Salt Lake, Utah School Dist. 5s	July, 1939	105.19	4.60*a*
City of Waterbury, Conn. 4½s	July, 1921-'36..	100.24@101.49	4.375*a*
Kansas City, Mo., Improvement 4½s	1933-'39	101.02@101.3	4.40*a*
St. Louis, School building 4s	July, 1939	94¾	4.40*a*
Railroad:			
Morris & Essex Railroad 1st 3½s	Dec., 2000	73½	4.80*b*
Public Utility:			
N. Y. Telephone debenture 6s	Feb., 1949	101¼	5.90
Edison Electric Illuminating (Boston) 6% notes	Feb., 1922	99½	6.20
San Joaquin Light & Power 6s	May, 1929	93	7.00*b*
Industrial::			
Columbus Electric 3 yr. 6% notes	July, 1922	97¼	7.00*b, c*
Abitibi Power & Paper 1st 6s	Feb., 1920-'34	97.50@99.60	6.25@6.50
McCord Manufacturing 1st 6s	1920-'31	100.00	6.00*d, g*
Empire Gas & Fuel Convertible 6s	June, 1924	97½	6.60*b*
Connecticut Valley Lumber 1st 6s	June, 1922-'34	....	6.25@6.60*b, c*
Fred Rueping Leather 6% notes	July, 1920-'34	97½@100	6.00@6.60*b, e*

(*a*) Exempt from Federal Income tax, including surtax. (*b*) Company pays normal income tax to the amount of 2%. (*c*) Exempt from Federal State and Municipal taxation as to interest and principal, excepting estate and inheritance taxes. (*d*) Available in $1,000 and $500 denominations. (*e*) Available in $500 and $100 denominations. (*f*) Exempt from State and local and from Federal normal income tax. (*g*) Without deductions from Federal income tax up to 4% so far as is legally permitted.

UNITED KINGDOM OF GREAT BRITAIN AND IRELAND Funding 4s. Issued to fund Great Britain's debt during war. Amount to be issued will depend upon subscriptions forthcoming until July 12. Redeemable within 71 years by sinking fund at par, 100 pounds and proportionate denominations thereof. Attractive profits possible here, as bonds are offered at 80. Loan to be repaid at par on May 1, 1990, or on three months' notice at any time on and after May 1, 1960. Issue will be convertible into bearer bonds of various denominations with coupons for half-yearly interest attached. Interest will be exempt from all British taxation, present and future when owned by persons neither domiciled nor ordinarily residents in the United Kingdom. Figured as a stock, yield is 5%, which is attractive for small holder, and in addition there is a chance for a good profit through redemption at par.

UNITED KINGDOM OF GREAT BRITAIN & IRELAND VICTORY 4s. Offered at 85. Redeemable at 100 by accumulative sinking fund operating by annual drawings, commencing Sept., 1920. Sinking fund of 2½% semi-annually. Taxation status same as funding 4s. Lists for subscription close July 12. Rate of return from these bonds attractive for small holder and good chance for speculative profits through redemption by sinking fund.

SWEDISH GOVERNMENT TWENTY-YEAR 6s. Considering excellent character of the security, the comparatively high yield makes this issue very attractive. In normal times, Swedish external loans have sold at prices to yield a 3.23 to 4.28% basis. Proceeds of this loan to be used for the purchase of commodities in the U. S. Principal and interest payable in gold at the National City Bank of N. Y. City.

FEDERAL LAND BANK, FARM LOAN 4½s. This issue of $54,000,000 will complete the requirements of the Federal Land Banks through December 31, 1919. Status as to taxation the same as Liberty 3½s, excepting that they cannot be figured as invested capital in computing Federal Excess Profits tax. Bonds secured by equal amounts of first mortgages on farm lands cultivated by their owners. Net 4.38% to redemption date, 1924, and 4.50% thereafter. In view of tax exemption, very attractive for large investors. Available in $50 and $25 denominations.

AMERICAN MUNICIPALS. Of varying investment character. All first-rate, and a number are among the strongest municipals available. Pennsylvania 4s enjoy practically same tax exemption privileges to holders in Pennsylvania, as Liberty 3½s. Yield of Sebastian County 5s, very attractive. Rates of return on other issues, excepting Pennsylvania 4s also very satisfactory. Considering tax exemption from income tax, these bonds should prove profitable for large investors.

MORRIS & ESSEX RAILROAD 3½s. An exceptionally strong bond. Secured by first lien on 118 miles and additionally by $1,441,800 of stock of the Sussex R. R. Principal and interest guaranteed by the Delaware, Lackawanna & Western. Legal for savings banks and trustees' investments in a number of states. Especially attractive for such institutions. Yield not very high for private investor.

NEW YORK TELEPHONE DEBENTURE 6s. A high-grade issue. Cumulative sinking fund sufficient to redeem entire issue before maturity at 110 and interest. Net income for past nine years has averaged over 5¼ times interest charges. Value of real estate and telephone plant alone more than twice total indebtedness outstanding. At offering price, yield figuring payment at par is 5.90%, but additional income available from their being redeemable at a premium. Total yield exceeds 6%, regardless of when bonds are called for redemption.

SAN JOAQUIN LIGHT & POWER CORPORATION DEBENTURE SERIES B 6s. Corporation owns and operates 4 important hydraulic generating plants, and steam plants in Fresno, Cal. and vicinity. Franchise situation very satisfactory. Total interest charges earned about twice over in 1918. Carefully protected as to issuance of further indebtedness.

COLUMBUS ELECTRIC 6% notes. Controls through ownership of securities, the entire electric

lighting, power, gas and electric railway business in the city of Columbus, Ga., and vicinity, and also wholesale power business in a number of towns. Owns extensive power development. Present earnings are over 1¾ times all interest charges. Dividends have been paid regularly on preferred since 1907.

ABITIBI POWER & PAPER 1st 6s. Secured by a first lien upon the properties of the company, including its timber leases and water power rights on the Abitibi River in Ontario, together with pulp and paper mills, having an annual capacity of 120,000 tons. Net assets of company conservatively placed at nearly $14,000,000, or about 3 times total outstanding amount of first mortgage bonds. Interest charges earned with good margin. $100,000 maturing each February 1, from 1920 to 1934, inclusive, with ranging from 99.68 to 97.50 according to maturity.

McCORD MANUFACTURING CO. (DETROIT) 1st 6s. Essentially a real estate bond, secured by land, buildings and equipment of the company. Offered by a prominent house which has had a remarkable record trading with this class of securities. Company one of the largest exclusive manufacturers of automobile radiators, together with gaskets and lubricators for gas and steam engines. Average net earnings during past five years equivalent to about 5 times interest charges on these bonds. Conservative schedule of amortization. Principal matures each January and July 1, 1920 to 1931, inclusive, excepting January, 1920. All maturities available in $1,000 and $500 denominations. 1931 maturity only available in $100 pieces.

EMPIRE GAS & FUEL convertible 6s. Direct obligation of Empire Gas & Fuel and other companies, which constitute essentially all of the natural gas and petroleum subsidiaries of the Cities Service system operating in Texas, Oklahoma and Kansas, will join in the execution of the indenture. Has very ample security in assets, and interest charges earned with good margin. Directly secured by 200% of their face value by Empire Gas & Electric collateral 6s. Convertible at any time at par into 8% cumulative preferred stock of company. Pennsylvania four mills tax refunded. Interest payable monthly.

CONNECTICUT VALLEY LUMBER 1st 6s. A first and closed mortgage on one of the few remaining large stands of timber in the eastern section of the U. S., the value of the timber alone being in excess of 3 times this issue of bonds. In last six years, interest charges on entire issue earned twice over annually. Equity of bonds should increase as they are retired through sinking fund, and through appreciation in the value of the standing timber. Excellent market for company's products.

FRED RUEPING LEATHER COMPANY 6% notes. Company is one of the largest tanners in the U. S., manufacturing a complete line of upper leather for shoes and some glove leathers. Property has shown remarkable expansion since it was established in 1854. Interest charges strongly protected. Net assets as of Dec. 31, 1918 more than twice outstanding amount of notes, and net current assets about 1½ times. Notes carefully protected in event of creating any bond indebtedness. Only 1921 maturity available in $500 and $100 pieces.

WALL STREET JOTTINGS

A summary of the Inheritance Tax laws of the States of New York, New Jersey and Connecticut and of the Federal Government has been compiled in booklet form for distribution to trustees, executors, institutions and investors by Chas. W. Hill & Co., members New York Stock Exchange, of 2 Wall Street, New York.

Are you "up" on acceptances? That is the question the National City Co., of this and fifty other cities, is asking its clients and banking officials. As part of its service to banks, the National City Co. has prepared a booklet entitled "Acceptances," explaining this form of investment in detail. A copy of "Acceptances" will be mailed on request.

William R. Compton Company is distributing free to investors a twenty-four page book for recording accurately by months various forms of income, taxable and exempt, and allowable deductions. The book contains a brief synopsis of the Federal income tax law and a concise statement of the tax exemption features of Liberty bond issues.

Bankers Trust Company has prepared a convenient book giving values and yields of Liberty bonds and Victory notes. The book makes it possible to determine at a glance the yield of a bond at a given price, the scale being in tenths. A limited edition has been printed for distribution to banks and customers of the company.

American Exchange National Bank has prepared for distribution a pamphlet entitled "Labor," giving the outline of the present labor situation in America, the principal parties and their policies.

Bankers Trust Company has issued a booklet entitled "Liberty Bond and Note Value Tables."

Sixth national annual convention of the Farm Mortgage Bankers Association of America will be held in the Auditorium Hotel in Chicago on September 23 and 24.

Charles C. Hood and Frederick D. Bolles, general partners, and Ferdinand F. Jelke, special partner, announce that the firm of Hood & Bolles has been dissolved and that they, as general partners, have formed the firm of Jelke, Hood & Bolles (members of the New York Stock Exchange) at 40 Wall Street. The firm will deal in bonds for investment.

Thomas J. McManus, formerly with Ames, Emerich & Co., announces the opening of an office in the First National Bank Building, Chicago, under the firm name of McManus & Co., to deal in municipal and corporation bonds.

Messrs. Blodget & Co. of Boston and New York, announce the opening of a branch office in the Real Estate Trust Bldg., Philadelphia. The office will be under the management of J. K. Milnor.

Nehemiah Friedman, formerly connected with Newburger, Henderson & Loeb, announces the opening of an office at 60 Beaver Street to conduct a general business in investment securities.

At the organization meeting of the Textile Banking Company, Inc., the following officers and directors were elected:

President, Harvey D. Gibson, president Liberty National Bank; vice-presidents, John P. Maguire, assistant cashier Liberty National Bank; Frank E. Spencer, formerly manager of sales for the Carnegie Steel Company in Detroit; James D. Hopkins, formerly with L. F. Dommerich & Co.; treasurer, F. H. Wandolt, Liberty National Bank; secretary, John H. Jephson, formerly with Schefer, Schramm & Vogel; directors, E. C. Converse, prominent capitalist of this city; Grayson M. P. Murphy and Eugene W. Stetson, both vice-presidents of the Guaranty Trust Company; Harvey D. Gibson and John P. Maguire, president and assistant cashier respectively of the Liberty National Bank.

The creation of this company by the Guaranty Trust Company and the Liberty National Bank is regarded as probably the initial step toward specialization in the field of American industrial banking. The recent growth of the American textile industry in all of its branches—silk, wool, cotton, etc.—and its continued expansion, coupled with the lessons derived from the war, have made evident the necessity and advantages of a closer relationship between manufacturers, converters and other merchants and thir bankers.

Investment Inquiries

FRISCO ADJUSTMENT 6s
Better For Income Than Safety

Frisco adjustment 6s are a fairly good investment, although of course the high income basis indicates that they are not in the first class as far as safety is concerned.

Under the Government guarantee the interest on the bonds is provided with a fair margin and the company in 1918 earned within $2,500,000 of its guarantee—a rather respectable showing considering the general situation.

The cumulative adjustment bonds come ahead of the income bonds, and as long as interest is paid on the latter the former are fairly safe.

ST. LOUIS SOUTHWESTERN 4s
A Bargain Bond

The St. Louis Southwestern Consolidated 4s are a first lien on 35½ miles, a third lien on 586½ miles, a first collateral lien on 111 miles, and a third collateral lien on 642 miles. They are also secured by the deposit of $14,500,000 collateral.

St. Louis Southwestern is the only one of the Gould properties that has managed to stay out of receivership, and we believe it is improbable that it will ever go into receivership. As a matter of fact, the influence of the Goulds in any of their previous railroad enterprises is no longer very intimate, and these are now being operated by good railroad men. The total interest charges of the road are being earned with a good margin and the property has good prospects in our opinion, and we believe that you would be safe in buying the bonds, which may be bought now at bargain figures.

SO. PAC. CONVERTIBLE 5s
A Promising Oil-Rail

Southern Pacific Convertible 5s are not only a good investment but with the prospect that the common stock into which the bonds are convertible will ultimately sell to substantially higher levels, we believe that you can safely hold your bonds although you have a profit. Southern Pacific is as much an oil stock as it is a railroad, and we doubt whether the shares around 106-107 have really adjusted themselves to the oil situation. The stock exhibits a very strong tone at this writing, and we believe that in spite of temporary irregularity, much greater prices are expected during the forthcoming movement in the rails.

KEOKUK & DES MOINES 5s
High Yield and Speculative Possibilities

Keokuk & Des Moines 5s of 1925 are a first mortgage on the 162 miles of road of this Company, as well as most of its other properties, and are guaranteed by the Chicago, Rock Island & Pacific. This guarantee, however, applies only to interest and not to principal, which explains the high yield (14%). During the period that the Rock Island road was in receivership, the Keokuk & Des Moines was separately operated, but since the reorganization became effective the company has again been operated by the Rock Island in accordance with the contract of 1878. Owing to the general uncertainty a protective committee was formed in 1915. No deposit of the bonds has yet been called for, however, as it was the committee's intention merely to watch the situation and take such action as may be deemed necessary. The interest has been regularly paid. During the time that the road was independently operated (July 1, 1915 to June 25, 1917), the company failed to earn its charges, but interest payments were made.

A dividend was recently paid on the preferred stock, under the agreement with the Rock Island, which indicates that the little road's earnings are improving. The bonds therefore seem to have good speculative possibilities.

SAN ANTONIO & ARANSAS PASS 5s
Guaranteed by Southern Pacific

San Antonio & Aransas Pass Ry. 4s of 1945 are now quoted at about 66 to 67, and are rather inactive. The company has had poor earnings for some years, and in 1917 had a deficit after charges, of $342,000. In 1918 it failed to earn its operating charges by $129,000, but received from the Government under the standard compensation, $373,260, which would indicate a deficit after charges of about $575,000. It is clear then that the bonds are entirely dependent upon the Southern Pacific's guarantee. In 1903 the majority of the capital stock of the company was held by the Southern Pacific Company, but this ownership was for some reason declared to be illegal and the company has since operated on an independent basis except for the bond guarantee. We presume that the rather low price of these bonds is due to some doubt as to the strength of the guarantee, although the latter is endorsed on the bonds themselves for both principal and interest. At present prices the yield is about 6.65%.

DU PONT SECURITIES CO.
Better than Du Pont Common

We believe that Du Pont Securities will prove a better holding than Du Pont common, and that the latter should be exchanged for Du Pont Securities under the terms of the offer made by the Chairman of the Board of Directors of E. I. Du Pont de Nemours & Co.

The shares of the Du Pont Securities Co. will participate in Du Pont's expansion into other fields than the chemical and explosive industry, while Du Pont common will be restricted to earnings in those two lines.

B. F. GOODRICH

Earnings Well Ahead of Dividends

B. F. Goodrich is one of the most conservative of the rubber concerns, and we would suggest that you hold your stock as it has good intrinsic value. In 1918 the company earned its dividend on the common stock about eight times. We believe that eventually the dividend will be raised to around 6%.

Central Leather common has had fairly good earnings, in proportion to the dividends paid, but we do not think it is in the same class with Goodrich.

WHITE MOTOR CO.

A Solid Concern

The White Motor Company is a conservative concern and the stock does not fluctuate greatly in value. Earnings were about $14 in 1916, $12 in 1917 and $8.40 in 1918 (par value of stock $50). The company has paid dividends at the rate of 8% since organized in 1916.

President White in the 1918 report stated that $52,000,000 worth of products were sold to the United States and foreign countries, and that in spite of the cancellation of $16,000,000 contracts, the company was in an excellent position with its plant running to capacity on its standard products.

While we think a good deal of White Motor, the stock has had an extreme advance of at least 20 points, and we suggest that you await an opportunity during a reaction in the market to purchase the stock. We still believe it has possibilities for a further advance, but you would be taking a risk to purchase at these levels.

ANACONDA

Diversified Activities

Anaconda is a diversified type of investment. It may be a long time before Anacond may receive substantial returns from its South American investments, but in any active market for the copper stocks as a whole, Anaconda may be confidently expected to discount future developments and sell substantially higher to anticipate such event. Great importance attaches to Anaconda's large silver productions, its ownership of the Alice Mine, and the prospects that silver will be in great demand very shortly.

NIPISSING MINING CO.

A Reliable Mining Stock

Nipissing: This company is one of the leading silver producers of Cobalt, Canada, and has been mining since 1906. Some experts believe that the mine of the company is approaching the exhaustion stage, but judging from its record, its reserves and steady earning power, there appears to be no immediate apprehension on this score.

We believe that the shares are in a good position and likely to rally very substantially, and perhaps lead the market in the silver group when a general advance takes place. The management is very conservative and careful.

While the stock is to a certain extent speculative it is much less so than the majority of copper stocks. This company has paid regular dividends since organization in 1906 although at varying rates. The present rate is 30%; $1 regular and 50c extra.

INTERNATIONAL NICKEL

A Long-Pull Buy

International Nickel is now selling at a price which we regard as satisfactory for long pull prospects. The company has a virtual monopoly upon the production of nickel in the United States, and is very conservatively and efficiently managed. Par of the stock is $25 and until recently paid dividends at the rate of $2 per share, the rate having been cut in half earlier in the year. The dividend was passed recently to conserve cash.

We believe that in a strong market for metal stocks, the issue will sell up and under more normal conditions we are inclined to look for higher prices eventually, as nickel will probably replace silver to a large extent in the future. The present high prices for silver are likely to continue, and we look to see nickel used largely as a substitute where possible.

MAXWELL EXPECTS

Earnings Improvement

Maxwell common has shown an average earning power between August 1913 and July 1918 of about 14¾%. This of course, includes some very lean years. The company made some very extraordinary earnings in 1916 and 1917 of around 30% in each year. This however, was due to special conditions, high prices and war conditions generally. The earnings for last year were about 5¾%. The company only makes public its earnings statement once a year and we do not know what the present earnings are. You will remember that the first preferred dividend was passed in order to conserve working capital and with the taking over of the Chalmers Company, we expect to see a great improvement in earnings for 1919. It is not impossible that under present peculiar conditions of the market, the common stock may even cross the first preferred although we must say at this writing it looks rather remote.

F. W. WOOLWORTH & CO.

Good Prospects

Woolworth's price is low compared with the company's prospects. Earnings have increased steadily, even in the dull business year of 1914, from 8.73% in 1912, the company's first year, to 15.57% in 1916 and $6.72 a share in 1917. In January 1912, the company had 596 stores. It now has about 1,000 stores. Its capitalization including mortgages, preferred and common stock is a little smaller than in 1912. In other words, it has increased its net sales from $60,000,000

to $100,000,000 without increasing its capitalization. Owing to quick turn over of goods the company suffers relatively little from high costs and business dullness. The company is conservatively managed, and we suggest a purchase of this stock as an investment on any recessions from present levels with a part of your funds. The company was fully analyzed in the April 27 issue of the Magazine.

PAN-AMERICAN STILL ATTRACTIVE
At Present Levels

Pan American Petroleum has a 51% interest and practically controls the Mexican Petroleum Company and also has interest in other important oil properties, owning the ships which give transportation for the output of Mexican Petroleum, etc. The shares have not had such a large advance as Mex. Pet. and we still consider Pan American around present prices to be somewhat undervalued. Ultimately, we believe to see the price at par as Pan American will certainly share in the prosperity that will come to Mex. Pet. ultimately. If you already hold Pan American, we believe that you can safely continue to do so, but we would suggest new commitment only on a decline or immediately if you can assume the risk of a 5 or 10 point decline in the entire market if necessary.

UNION PACIFIC
Good, But S. P. is Better

Union Pacific is one of the strongest of the rails, but we would prefer Southern Pacific at the present prices, and believe that it will cross Union Pacific in the course of a year. This is largely on the assumption that there will be a favorable decision in the Government oil suit, however. Southern Pacific has immense resources in its oil lands, and these should be worth over $300 per share of stock.

AMERICAN LOCOMOTIVE
Decline in Business

American Locomotive earned 36% in 1916, 21% in 1917 and 16% in 1918. Large contracts for new equipment have not been issued by the Railroad Administration, which accounts for the lack of business. Work was also suspended on nearly 200 locomotives which were being built for the French Government. However, the company has large orders for foreign contracts, and these are said to furnish sufficient business to operate the plants outside of Pittsburgh at a reduced rate of production until the end of this month. The closing of the Pittsburgh plant in March was forecast in the 1918 report.

A statement on May 24th to the effect that the company might increase the dividend rate in the near future but no explanation was given for such a policy.

BOOTH FISHERIES
Is Accumulating Capital

Booth Fisheries we have been recommending for some time as a good long pull speculation. On May 28th the company passed its dividend on the common stock but this action should not effect the prospects of the stock, as the company is accumulating working capital and reducing its floating debt. The dividend was earned, according to an official statement, and the company is in a comfortable position. In view of the great demand for food products at the present time in Europe, we regard Booth Fisheries as a very good specvestment.

READING
Dividends are Safe

Reading under Federal control would receive an income from the railroad equal to 7% on the common stock and about 18% has been estimated when profits from coal were included. This does not include the business of the Reading Iron Co. Segregation is always talked of, but it seems as far in the background as ever, although the possibility always exists of something being done. Compared with its dividend of $4 a share, the 1917 earnings were $7 but the average for the three year test period were about $9 while current earnings are about $14 (estimated).

Government control or no Government control, the dividend is safe and this road has nothing to fear through being returned to private ownership. However, Reading is one of the most speculative among the railroads so far as its price swings are concerned. Ultimately we expect far better prices to prevail.

WESTINGHOUSE ELECTRIC
A Good Long-Pull Prospect

Westinghouse Electric is showing a sustained expansion in business that is being reflected in increasing earnings and for that reason the stock has been strong. The fiscal year ended March 31 and while official statements are not available, rough estimates show an amount that can be applied to dividends, after allowance for taxes, that is equivalent to $9 a share, or almost 3 times present dividend requirements ($3.50).

We regard Westinghouse as very suitable for a permanent investment.

STUDEBAKER
Prospects Heavily Discounted

Studebaker has already had most of the advance we believe it to be entitled to based upon its peace prospects and the showing it made during the past year. We do not know whether you realized that Studebaker has advanced about 60 points in the past few months, and obviously this is not a good time to hold or purchase for permanent investment. We suggest a switch from Stude-

baker into Southern Pacific for a rather longer pull.

B. R. T.
Prospects Doubtful

Brooklyn Rapid Transit, now in a receivership, is likely to be a very long drawn out affair, and it is not improbable that sooner or later an assessment may be levied on the stock. It is possible, as you will see on reference to THE MAGAZINE OF WALL STREET, that some relief may come in the way of favorable legislation, and this would have the effect of placing the company in a much stronger position.

However, there are too many uncertainties ahead to justify optimism, and on the whole we would suggest changing for International Nickel. Those who sell Brooklyn Rapid Transit will probably have the opportunity of repurchasing again later to better advantage and meantime derive some income from their investment, the latter having better prospects during 1919.

ERIE
A Stock to be Wary Of

Referring to your inquiry on Erie, this company has made a very disappointing showing under Government ownership, possibly because of the general change of traffic under Government supervision.

However, under its guarantee, along with its coal earnings the company is earning about 10% on the 1st and 2nd preferred. On an actual basis the company is not meeting its fixed charges, and if another rate increase is not received the situation will hardly improve when the railroads are turned bark to private operation at the end of this year.

We suggest that you switch from Erie to Big Four, Southern Pacific or Southern Railway, all of which we think have good prospects.

GASTON, WILLIAMS & WIGMORE
1919 Earnings Smaller

Gaston, Williams & Wigmore has been subject to exploitation in the present speculative market. Earnings for the year ended April 30, 1917-18 averaged over $10 a share (no par value)—the 1919 report has not been made public although a statement has been issued that earnings have fallen off considerably. However, the company is going ahead with its reorganization and probably has good future prospects.

MIDVALE STEEL
Helped by Improving Trade

Midvale Steel is expected to share in any upward movement in the steel group. Of course, the company has been war prosperous, and the stock is not regarded as an investment. As a speculation it has fairly good possibilities and while we would not suggest new commitments in Midvale Steel, we se no objection to holding same during the current movement.

WABASH PREFERRED
Dividends Postponed

Wabash is not earning the full dividend on the Preferred "A" stock. However, this estimate is based on the 1917 "other income" and charges, and may not be very accurate. The company has made claims for about $3.000,000, in addition to the $5,900,000 under the guarantee. As it received only $4,645,000 in actual advances, in 1918 it was certainly not in a position to pay dividends. A statement issued last July stated that the Director-General had deferred payments of dividends until contract terms should be determined. We doubt very much whether the back dividends will be paid, however, as the stock is not cumulative.

The company last year earned from operations on an actual basis $3,721,000, or $2,136,000 less than the guarantee. This, however, was not such a bad showing as compared with many of the other Eastern roads.

MANHATTAN ELEVATED
Future Depends on Fare Increase

Referring to your inquiry on Manhattan Elevated stock we think that the possibilities of further advance in the stock will depend largely upon a fare increase. A short time ago, Commissioner Nixon issued a statement saying that he would do his best to help the traction companies out of their difficulties and this was assumed to mean that he would favor an increase in fares. However, it now develops that this was not his purpose and prospects are again rather uncertain. It seems to be the policy of the Mayor to force the companies into the hands of the City. In view of all this, we think it might be wise for you to sell half of your stock at present prices and switch to some good rail stock such as Atchison or Southern Pacific.

BALTIMORE & OHIO
Sells Low, and Deserves It

Baltimore & Ohio was placed on a dividend basis of 4%, but the company is not earning this dividend. We believe, however, that it is assured so long as the Government is in control. The indicated earnings for 1917 were only 4.65% on the common stock. The present price, however, has apparently discounted some of the unfavorable factors in the situation. We would much rather prefer Chesapeake & Ohio which offers a better purchase. That road is well able to pay its current dividend of $4 out of its own earnings. It is growing and the long pull prospects are very bright.

RAY HERCULES
Has Potential Strength

Ray Hercules Copper Company is a good property and while the company has been

tied up for funds on account of the erection of a plant and the debt that this incurred we think that this will work out all right, and that the stock is selling low enough now. It is, of course, a speculative issue, but the long pull prospects are good. In this connection, we might add that the present price of Ray Hercules is considerably under the price at which it was first placed with the public, in fact under the price at which the insiders got their stock, and under these circumstances we consider it attractive.

NAT'L RAILWAYS OF MEXICO
An Attractive Speculation

National Railways of Mexico 2nd preferred, is a very speculative issue, but we think at 8 it is fairly attractive.

Mexico must sooner or later acquire a stable government, and when this happens the National Railways will doubtless be rehabilitated. A plan was recently suggested by the Mexican expert of Lansburgh Bros., in which it was proposed to use the lands containing oil or mineral resources still in the hands of the Government as mortgage security for a loan to the National Railways. Such a scheme would doubtless be put through if the Mexican Government had capable men at its head and if the political organization were not so permeated with graft.

The present price is a recession from a high of 14 reached this year, and it might be well for you to secure part of your holdings at the present price, if you wish to take the risk.

AMERICAN PUBLIC UTILITIES
Faces Rate Difficulties

American Public Utilities averaged about 10% on its preferred stock during the years 1913-1917, but in 1918 the earnings dropped to 5.6%. Earnings on the common varied from 4% to 7%, with nothing in 1918. The preferred dividend of 6% has been paid regularly; the common was passed in 1915.

This company has the same difficulty which has confronted all public utilities, namely the rate problem. One of its subsidiaries, the Harlem City Gas Company, was forced into receivership. We do not think that the outlook is very favorable, and it might be well for you to take your loss and buy a good copper stock such as Anaconda or American Smelting, which we believe have fair prospects for advancement.

PIERCE OIL
Dividends Probable

Pierce Oil has been reporting excellent earnings and we believe the common stock to be very near dividends. This company is in the Ranger field as well as in the Mexican Oil Fields, has a capable management and it would appear that it has good possibilities of showing a steady expansion in its business. We believe that this stock is a good long pull speculation.

PHILIP MORRIS
Has Possibilities

Philip Morris Company manufactures a leading high grade cigarette and under its new affiliations with the Tobacco Products and United Cigars Stores management, it is expected that the sale of this brand will be materially increased.

During the past seven years the company has averaged about $200,000 annually, and last year earnings were increased to $271,000. These amounts were before provision for Federal Income and Excess Profit Taxes.

The new company has 300,000 shares of stock, par value $10. Rights to subscribe at $4 a share were given Tobacco Products shareholders for each share held.

The stock has been active on the N. Y. Curb, having advanced to the present quotations, which has naturally brought about considerable profit-taking. But there is evidence of accumulation by strong interests, and we think that the shares are at present in a relatively strong technical position. It is a low-price speculative issue possessing good prospects.

SUGGESTIONS IN REGARD TO INQUIRIES

The heavy volume of inquiries which this publication is receiving makes it necessary to ask our subscribers to co-operate with us in order that we may maintain and improve the high quality of service which the Investors' Personal Service Department renders to our readers. We therefore suggest that:

1. Not more than three inquiries be submitted at one time. Occasionally a subscriber sends in a long list of securities, asking for an opinion on each. The careful manner in which the Department handles its inquiries makes it impossible to give same the immediate attention necessary, without slighting other inquiries.

2. Trial subscribers are entitled to an opinion on ONE security, in terms of our "trial offer."

3. In case an immediate answer is desired on more than three securities, we make a charge of $1 each for the additional number (but not to Investment Letter subscribers).

4. Enclose stamp or stamped self-addressed envelope.

The above suggestions are drawn up for the benefit and protection of our subscribers and those inquiries which conform with them will receive first attention.

SPECIAL ANALYTICAL REPORTS—When a reader wishes a special investigation or a special analysis of a security or a subject we shall be pleased to submit an estimate of the special charge for such work. We compile many Reports of this kind which are highly valued by purchasers.

Chain Stores Will Girdle the Earth

By ARTHUR C. WATT

Duke Joins Whelan in Mammoth Foreign Trade Expansion Movement—Plan Includes Manufacturing, Transportation, Retailing and Financial Operations

RECENT reports of a gigantic chain-store system throughout the world have stirred Wall Street as it has seldom been stirred before.

As the realization dawned that the possibilities and ramifications of this daring business venture were limited only by the population of almost the entire world—that a history-making step was being taken by one of the most successful group of business men in America—people rubbed their eyes and began to inquire for further particulars about this remarkable undertaking, behind which are the guiding hands of the famous business pioneers—George J. Whelan and James B. Duke.

Duke and Whelan Join Hands

The official explanatory statement issued by the United Retail Stores Corporation (the newly formed concern) says:

"George J. Whelan and James B. Duke have organized the United Retail Stores Corporation to take advantage of present conditions and to extend a system of manufacturing businesses and retail chain stores throughout the world for merchandising of all kinds.

"This organization brings Messrs. Duke and Whelan, with all their respective business associates, back into their intimate relationship sustained several years ago. The partnership of aggressive manufacturing, commercial and retailing forces marks the beginning of a world-wide campaign for new business.

"The charter of the company, which was incorporated under the laws of Delaware, authorizes it to engage not only in the retailing of all kinds of commodities but in the production of raw material and in manufacturing, as well as the financing of such operations.

"The United Retail Stores Corporation will begin operations at once by inviting the United Cigar Stores Company to become associated with it. Other important systems of chain stores in America, Europe, South America and the Orient, selling tobacco, confectionery, groceries, clothing and general commodities, will in time be identified with the new concern.

"The capital stock consists of 100,000 shares of 8% preferred cumulative and 1,600,000 shares of common stock without par value. All shares have full voting power, and a substantial amount of the stock has already been subscribed."

It is significant to note that other retail stores systems in this country and abroad will be invited to become identified with the new corporation. Also, that its charter is broad enough to enable the company to engage in "the production of raw material and in manufacturing, as well as the financing of such operations." In this manner the company can become a complete merchandising cycle—production, manufacturing, transportation, retailing, financing, etc., thereby conserving for itself the combined profits to be derived from these various operations, similar to the plan so successfully followed by the Standard Oil Company.

United Cigar Stores the Nucleus

The United Cigar Stores Company will become a part of the new corporation and negotiations are now going on for the acquisition of another large retail tobacco chain system in this country as well as for certain cigar or tobacco companies, etc.

National prohibition effective on July 1, is favorable to the United Cigar Stores' operations in this country for several reasons: First, hundreds of valuable saloon locations will be available for retail stores; second, the probable increase of tobacco consumption by those formerly inclined to stronger stimulants. Another factor of importance is the additional demand for candy and so-called "soft drinks," the trade prospects of which in all probability will not be overlooked by the new concern. In fact, it would not be surprising if some candy chain stores also will figure in the organization, which has not yet completed its negotiations for additional links in its world-wide chain.

Basis of Merchandising Policy

"Giving the people what they want" is the basis upon which the new company is founded and although preference, no doubt, will be given to goods of American manufacture, yet a concentrated effort will be made to supply practically everything a person eats, wears or uses in his particular part of the world.

The British-American Tobacco Company (a Duke enterprise) which has selling stations in nearly all parts of the world (except the United States and Great Britain) together with numerous factories, warehouses, etc., would afford valuable distributing facilities for the United Retail Stores. Whether any such joint arrangements will be made, however, is only a matter of conjecture at this time, as no official word as yet has been forthcoming to that effect, but the importance of a "ready made" distributing organization cannot be underestimated.

A brilliant example of what can be accomplished in the retail tobacco field is indicated by the success of the United Cigar Stores Company. Starting in a small way some years ago, George Whelan demonstrated the value of his "Chain Store" plan in Syracuse, New York, after which he came to New York City. He then convinced financial people in that city, and store after store was established until the company now has more than 1,300 of them. These stores not only are handling the United brands, but also those of other manufacturers as well as other readily salable articles, such as candy, chewing gum, safety razors, etc., which do not increase the ordinary overhead charges. A further elaboration of this plan on a larger scale is likely to be one of the principal policies of the new company. It is claimed that the corporate charter also provides that operations will proceed in close observance with the various forms of economic legislation in this and other countries.

As the United Cigar Stores Company is evidently going to be the nucleus of the international corporation, a brief reference to it is in order.

The present capitalization consists of $30,000,000 of common stock and $5,000,000 of 7% cumulative preferred, all of $100 par value, the latter being redeemable at $140 a share. There are 271,620 shares of the common and 45,267 shares of the preferred outstanding at present. As the new United Retail Stores Corporation has 1,600,000 shares of common and 100,000 shares of 8% cumulative preferred, neither issue of which has any par value, there is apparently enough stock on hand to exchange for the issues of the United Cigar Stores and other corporations on a fairly liberal basis, so that the tremendous business expansion plan to which the new company is committed, can be carried out.

Shares of the new Retail Stores Corporation were recently introduced to trading on the New York Curb Market and at this writing are selling around $80 a share on a "when, as, and if issued" basis, although application to list the stock on the New York Stock Exchange will in all likelihood be made later. Rumor has it that two shares of this stock will be given in exchange for every one share of United Cigar Stores common, and an official confirmation of the plan is expected to be made in the near future.

Sales of the Cigar Stores Company in 1918 were nearly 75% greater than those reported for 1915 and earnings

also have been satisfactory for the last three years as of December 31.

The net profits for 1916 were $3,059,933; 1917, $2,873,501, and 1918, $4,010,205. On a per share basis this works out for the preferred and common stocks as follows:

	Preferred	Common
1916	$67.59	$10.10
1917	63.47	9.41
1918	88.58	13.60

The 7% dividend on the preferred stock (all of which is closely held) has been paid without interruption since 1912. A dividend of 5½% was paid on the common in 1913 and then gradually raised as follows: 6% in 1914; 6½% in 1915; 7% in 1916; 7¾% in 1917; 8½% in 1918; and payments so far in 1919 have been on a 9% annual basis.

United Cigars Increases Stock

On April 11, 1919, stockholders at a special meeting increased the authorized common stock from $30,000,000 to $60,000,000, regarding which an official of the company is quoted as saying, "The United Cigar Stores need no money and therefore will not sell my stock. Any deals which are in prospects will be by an exchange of stock. The company proposes a stock dividend to shareholders also."

Official details of how this adjustment of capitalization is going to work out in connection with the new United Retail Stores Corporation are not available at this writing, but the market rise of United Cigar Stores stock from a low of $107¼ in January of this year to a high of around $170 a share indicates that shareholders will be fittingly remembered when the United Retail Stores Corporation takes over the United Cigar Stores.

Based upon the financial reports

UNITED CIGAR STORES OF AMERICA AND SUBSIDIARY COMPANIES

ASSETS

	1916	1917	1918
Leasehold int., mortgages, etc.	$4,095,341	$ 4,290,291	$ 4,293,416
Trade-marks, good-will, etc.	21,400,000	21,400,000	21,400,000
Investments	3,499,344	868,179	1,599,421
Deferred assets	3,323,053	3,539,474	3,982,302
Stock held for employees	747,507	485,222	388,178
Current Assets.			
Cash and demand loans	2,696,582	1,982,335	2,984,944
Bills and accounts receivable	1,091,266	1,268,280	1,341,645
Interest receivable	8,290	——	——
Inventories	7,445,574	10,020,949	13,270,900
Total Current Assets	$11,241,712	$13,271,564	$17,597,489
TOTAL ASSETS	$44,306,957	$43,854,730	$49,260,806

LIABILITIES

	1916	1917	1918
Preferred Stock	$4,527,000	$ 4,527,000	$ 4,527,000
Common Stock	27,162,000	27,162,000	27,162,000
Funded debt	2,850,000	——	——
Reserves (provisional surplus)	288,685	2,798,610	3,859,663
Profit and loss surplus	5,364,027	3,683,217	5,057,762
Current Liabilities:			
Accounts and bills payable	4,055,294	4,755,824	7,519,947
Rents received not due	59,951	74,813	77,460
Reserve for taxes accrued, including Federal Taxes (estimated)	——	853,266	1,046,974
Total Current Liabilities	$4,115,245	$ 5,683,903	$ 8,644,381
TOTAL LIABILITIES	$44,306,957	$43,854,730	$49,260,806

made public, United Cigars hardly seems to be a "bargain" around present price levels, $170, however, and the past earning record fails to show that the current 9% dividend rate can be maintained on the recently authorized 100% increase in capitalization. Present dividend requirements for the common call for a distribution at the rate of $2,444,580 annually, which plus dividend requirement of the preferred amounting to $316,890, makes total disbursements of $2,761,470. It is not known at this time how much of the new $30,000,000 stock will be issued, but it is apparent that much greater earning power will have to be developed in order to maintain the present dividend rate on the additional stock when issued. For example, if that now outstanding were doubled, dividend charges would then amount to $2,444,580 more, or a grand total of $5,206,050, which is more than the company has ever been reported to earn in a single year.

Theoretical equities of a tangible nature behind the common stock were placed at approximately $54 a share, according to the 1918 statement. Trade-marks, brands, good will, etc., all of which have a tremendous sales value, amounted to about $79 a share, making the book value of the stock around $133 a share, according to the consolidated balance sheet shown on the preceding page.

Sales since January 1, 1919, are reported to have shown a large increase and the current business is supposed to be running at the rate of more than $60,000,000 annually, an indicated increase of nearly 20% over the company's previous biggest year.

George J. Whelan, President of the Tobacco Products Corporation, and the power behind United Cigar Stores, heads the United Retail Stores Corporation with W. R. Perkins, who is associated with P. Lorillard, as vice-president; James B. Duke, the dominating force in the British-American Tobacco Company and popularly referred to as the "Tobacco King," is a director; as is also Sidney S. Whelan, who is prominently identified with various activities in the tobacco world.

Allied With New Foreign Trade Firms

Two other foreign trade concerns, the American Foreign Corporation and the Tobacco Products Export Corporation, have been formed by the Tobacco Products and affiliated interests (Whelan-Duke group) and the proposed activities of these companies (which should also reflect favorably upon the future operations of such concerns as Robert Morris & Company, United Profit Sharing, etc.) will be outlined in a later issue of this magazine, together with a brief sketch of how an English organization and another American concern have been organized to compete in foreign fields.

A ship is already being loaded by the American Foreign Trade Corporation for Constantinople, and will carry a cargo of clothing, boots, shoes, groceries, etc., and bring back in exchange such commodities as oriental rugs, raw silk, dates, figs, etc. President Day recently sailed for Paris from whence he will go to Constantinople and be on hand when the first shipment of his company arrives. Other officials and numerous trade representatives are in various parts of the world preparatory to the launching of what promises to be one of the greatest merchandising enterprises in all history—the signal for which was the official signing of the peace treaty.

IMPORTANT ANNOUNCEMENT

Two members of the editorial staff of THE MAGAZINE OF WALL STREET have gone into business together. Rumors have been circulated that Mr. Wyckoff was associated with this new firm. Neither Mr. Wyckoff nor THE MAGAZINE OF WALL STREET are connected in any way with this new investment house, nor with any other brokerage, investment, or banking house whatsoever, or are likely to be.

The new firm has the best wishes of everybody connected with our organization.

THE MAGAZINE OF WALL STREET.

Atlantic Coast Line and Louisville & Nashville

By GEORGE S. HAMMOND

Good Progress of These Two Companies—Comparative Value of Securities—Prospects for the Future

ONE of the best examples among American railroads of the tail wagging the dog in the matter of corporate control is found in the Atlantic Coast Line and its virtual subsidiary, the Louisville and Nashville. The Louisville, together with the controlled Nashville, Chattanooga and St. Louis lines, earns over twice as much gross revenue as the parent company and is an exceptionally valuable property. Because of the close relationship between the two companies, the Coast Line's status can be completely outlined only by reference to the affairs of the Louisville, as well as to its independent showing, though obviously the bondholders and minority stockholders of the latter are not so intimately concerned with the affairs of the Coast Line.

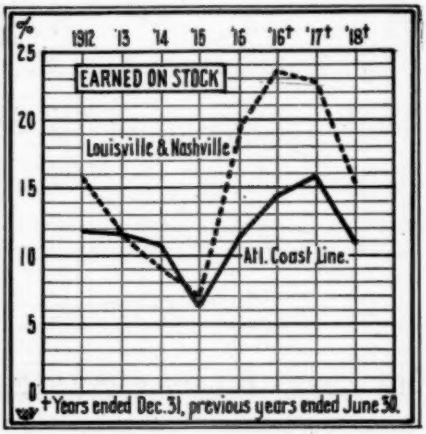
Location of the Roads

The Coast Line consists of about 4,800 miles of road running south from Washington and Norfolk to southern Florida and in general lies closest to the shore line of the three principal roads—Southern, Seaboard, and Coast Line—in this territory. It reaches practically all of the important ports, including Charleston, Port Royal, Savannah and Brunswick. At Augusta the lines connect with those of the Louisville, through the jointly owned Georgia Railroad, and also at Montgomery.

The Louisville in turn runs from these points to New Orleans, Birmingham, Chattanooga, Memphis, Nashville, St. Louis, Louisville and Cincinnati, making a comprehensive combined system of 13,121 miles, occupying a territory east and west of the Southern and east of the Illinois Central.

The difference in the territories served by the two roads produces considerable variation in the character of the traffic carried. For example, the Coast Line receives a great deal of agricultural and forest products, while the Louisville derives about two thirds of its tonnage from coal and other mineral freight. The Louisville has, and requires, heavier track, heavier equipment, and a greater amount of second track.

The Coast Line began operations in 1902 and has been a regular dividend payer ever since. The reason for the road's success may be found in its moderate capitalization, economical operation and co-operative dividend policy. The management has paid for its expansion in recent years fully as much from surplus revenues as from new securities. At the end of 1918 the capitalization consisted of:



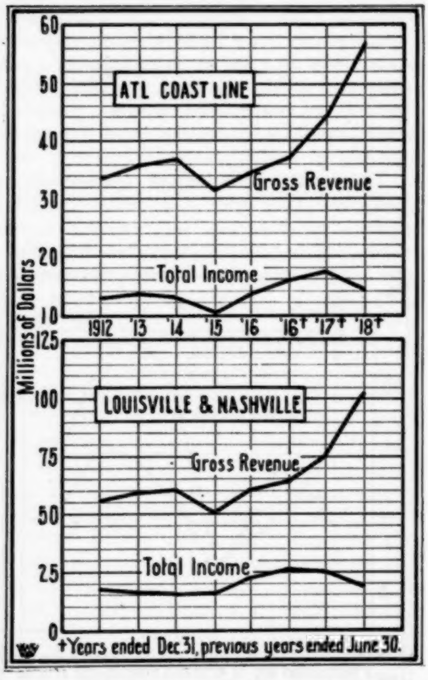
Funded Debt	**$142,450,745**
Pfd. and Subsidiary Stock	**1,196,700**
Common Stock	**67,559,400**
Total	**$211,206,845**

The debt appears rather heavy in relation to the stock, but $35,000,000 of it is

represented by the Collateral Trust 4s of 1952, secured by pledge of $36,720,000 Louisville and Nashville stock, and 3,060 shares of Louisville Property Company stock. The dividend return on the stock is $2,570,400 (at 7%), or $1,170,400 more than the bond interest involved.

Operating Statistics

Operating statistics are missing from the 1918 report of the Louisville, but, as this year was highly abnormal, the 1917



figures will afford a satisfactory comparison of some of the more important items for the two properties.

TABLE I—(1917 FIGURES)

	Coast Line	Louisville
Gross revenues per mile....	$9,217	$15,161
Frgt. revenue per train mile..	3.336	3.057
Pasgr. revenue per train mile.	1.208	1,711
Freight Density, tons.......	627,915	1,572,926
Avg. revenue train load, tons.	345.8	438.1
Avg. ton mile rate, cts.....	.965	.698

It may be noted that the Coast Line with its lighter train loads and only two-fifths as great freight traffic density, earned more per revenue freight train mile, and over three-fifths as much gross revenues per mile as the Louisville. Thus do the higher rates offset seemingly adverse factors, and we find that the two roads operate on almost exactly a dead level of relative costs as shown in Table II. Louisville has gained upon its parent in this respect, however, without sacrifice of standards of maintenance.

TABLE II—PER CENT EXPENSES TO GROSS

	1917	1916	*1916	*1915	1914
Coast Line.	67.58	64.47	66.18	72.63	71.16
Louisville .	68.91	64.75	65.97	76.41	75.13
Advantage, Coast Line	1.33	.27	†.21	3.78	3.97

*Years to June 30th.
†Advantage, Louisville.

Since Louisville has shown somewhat the better tendency in keeping down operating costs—though both roads are worked at a high degree of efficiency—it would seem to have the better outlook, other things being equal. Of the "other things" perhaps the most important is the growth of traffic, which is brought out in

TABLE III—GROWTH OF TRAFFIC

	Coast Line	Louisville
Gross revenues, 1910	$29,810,268	$52,433,382
Gross revenues, 1917	44,063,331	76,907,387
Gross revenues, 1918	56,992,329	101,392,792
Increase, 1917 over 1910	48%	47%
Increase, 1918 over 1910	91%	93%

Again we find but little to guide us in a choice between the two stocks as the differences in the relative gains are too small to have any significance.

From the stock standpoint it is important in determining the prospects of the two issues to note the ratio of bonds to stock. We have already observed that the Coast Line has roughly twice as much bonds as stock. The similarity of the two roads even extends to the capitalizations, however, as the following figures for the Louisville show:

Funded debt..................	$168,112,825
Capital Stock..................	72,000,000
Total	$240,112,825

Equal gains or losses in earnings will thus have practically the same effect in altering the sums available for dividends.

Coast Line's Equity in Undistributed Louisville Profits

As the Coast Line owns 51% of the stock of the Louisville, it has an equity of like percentage in all profits above the 7% (5% in 1915 and 6% in 1916) which the Louisville actually distributes in dividends. In this connection it is of interest to compare the sums reported earned on both stocks, and also the Coast Line's percentages earned plus its accrued amounts in undistributed Louisville profits for each year.

TABLE IV—EARNED ON STOCK, PERCENTAGES

		Coast Line	
	Louisville	Actual	Adjstd.
*1912	15.93	12.95	17.00
*1913	11.64	11.93	14.43
*1914	9.22	11.50	12.70
*1915	6.75	10.71	11.61
*1916	19.38	6.29	13.57
1916	23.56	11.31	20.31
1917	22.75	14.39	22.96
1918	15.30	10.80	15.31
Average	15.57	11.24	15.97

*June 30th Years.

From the foregoing calculation we might interpret Coast Line at 104 as a better buy than Louisville at 117, but there is still another item not to be overlooked. Louisville owns a majority of the stock of the Nashville, Chattanooga and St. Louis, which sometimes earns a good margin over the dividends paid, and while part of this accrues indirectly to the Coast Line, were it calculated as a part of Table IV the slight margin in the Coast Line's favor would practically disappear. It might also be added that the management is highly conservative in the matter of dividends and as long as the Louisville continues to pay only 7% dividends, that rate is better protected by the revenues in hand than is that of the controlling company. The high earning power of both stocks is evident from the percentages given.

Growth of Surplus

In the space of six and one-half years covered by the tabulation, the surpluses of the two companies have grown as follows:

	Louisville	Coast Line
Dec. 31, 1918	$75,496,285	$42,858,174
June 30, 1912	39,867,138	25,301,884
Gain	$35,629,147	$17,556,290
Book Value, Stock	$215	$163

The difference in book value per share is quite marked, but the Coast Line carries its Louisville stock at only about $140 per share, whereas if it were to carry it at a book value of $215 per share, its own book value would be about $207, or almost as much as that of the larger road. Again we find the parallel hard to avoid.

Both properties have the distinction of being numbered among the select group of roads which actually earned their government rentals in 1918. The following income accounts of the two roads were materially exceeded by the revenues of 1916 and 1917, and are, therefore, a conservative statement of earning power.

INCOME ACCOUNT 1918

Operat'g Income,	Louisville	Coast Line
Actual	$19,367,632	$11,175,148
Gov. Rental	17,310,494	10,180,915
Other Income	2,512,827	3,888,229
Total Income	19,823,321	14,069,144
Fixed charges	8,803,964	6,784,312
Net Income	11,019,357	7,284,332
Dividends	5,040,000	4,808,993
Surplus	5,979,357	2,475,839

The companies have done far better than the average of American railroads as a whole thus far in 1919. For the first four months the increases in gross, after allowance for the higher rates in effect, indicate that traffic has been well maintained. Net naturally suffered some decline, Coast Line's figures dropping from $5,023,818 for the four months ended April 30, 1918, to $3,704,138 for the corresponding period of this year. The Louisville's net fell from $6,486,239 to $3,292,397. Even with these decreases, Coast Line earned its full dividend for the four months, after making allowance for other income as in 1918, while the larger road earned nearly all of the dividends accrued.

Fairly large capital expenditures were made in 1918, though not nearly as large as those required on lines operating in more congested territory. Like the other Southern roads, they appear to have had

a capacity well in excess of normal needs, the war serving to take up the slack rather than straining facilities to the breaking point. As both the Walters roads entered that trying year with well filled treasuries, they were able to finance their expenditures without difficulty by the sale of a moderate amount of bonds.

The Coast Line sold $5,503,848 General Unified Bonds, while the Louisville placed $7,186,005 of various issues. At the end of the year the smaller road had $13,826,453 current assets against $5,133,266 current liabilities. The Louisville's figures were $10,793,443 and $8,240,542 respectively. This contrasts with the highly unsatisfactory condition of many railroad treasuries and there are no difficult financial problems to be solved in the near future.

The bonds are all on a high investment plane, though of course the precise degree of safety varies with the different divisional liens and with the relative seniority of the general mortgages.

There would seem to be no question but what the government valuations, when announced, will show book values for the stocks well above their current quotations. With anything approaching equitable treatment in the matter of rate regulation, the full 7% dividends are assured and ultimately should be increased. As recently as 1916 Coast Line sold at 126 and Louisville at 140. Seven years previous they reached 143½ and 162½ respectively.

PRICE RANGE OF STOCKS

	Louis. & Nash.		Atlantic Coast	
	High	Low	High	Low
1919	122¾	113	107	95
1918	124	110	109	89⅜
1917	133¾	103	119	94⅞
1916	140	121⅛	126	106½
1915	130½	104½	116	98
1914	141⅞	125	126	114
1913	142¼	126¼	133⅜	112
1912	170	138	148½	130¾

No one who has looked into their worth can fail to be impressed by their desirability as present purchases, except the utter pessimist on the railroad situation as a whole.

TEXAS OIL PRODUCTION LEADS OTHER STATES

OIL has displaced cotton as King. In Texas, where the greatest oil field in the world has been proved and developed in the past two years, they call it "liquid gold." The better grades of oil produced in this territory come out of the wells under gas pressure with a heavy foam which, in color, is golden—hence the appellation "liquid gold." Another reason is that the oil produced in Texas alone in the year 1918 exceeded the gold production of the United States and Alaska.

The Texas Field is being extended with marvelous rapidity. Lands which six months ago were considered outside of the oil field are every day coming into the proven field with big wells, some running as high as eight to ten thousand barrels per day, until now the best oil men in the country hesitate to say that oil does not underlie all of the State of Texas. It is true that the big production is secured in pools and new pools are being discovered every day; but the wildcatter is pretty certain to get oil, although, of course, some of the outlying wells come in with small production.

The percentage of well failures in Texas is remarkably low, and this has been an important factor in securing a more rapid development of the field than in any other State where oil has been discovered.

The Texas failures for the first quarter of 1919 represented only 12% of the wells drilled, while the supposedly proved and consistent Oklahoma fields during the same period showed 29% dry holes and Kansas showed 20%. In Texas the average initial production of wells brought in during the first quarter of 1919 was 416 barrels a day as compared with 101 barrels in Oklahoma and 52 barrels in Kansas.—Knauth, Nachod and Kuhne.

Facts About American Ice

By A. U. RODNEY

Mild Winter Forecasts Good Year—Large "Charge-Offs" Disclose Hidden Values—Market Position of Stocks

NEW developments and facts in the American Ice situation are well worth recording just now since there are indications that the corner may have been turned. American Ice is making money; but will it keep on, and if so, what effect should this have on the company's securities?

A monopoly in the ice business was the probable intention of the original sponsors of American Ice. A large number of ice companies located in Washington, D. C., New York, Maine, New Jersey, Pennsylvania and Massachusetts were taken into the combination and the business activities of the various companies covered the manufacture of ice, a wholesale and retail business in artificial and natural ice, and the necessary shops for maintaining equipment of wagons, harness, tools, etc.

When the present management took up the reins over twelve years ago it got a great big unwieldly hulk with many debts and not a dollar of credit. The proposition struggled along, and its new managers with grim determination set to the task of placing the company on a substantial and prosperous basis. The holding company in its name of the American Ice Securities Company, from 1905 to 1917, owned $14,858,300 of the $15,000,000 old 6% cumulative preferred and most of the $7,500,000 common of the American Ice Company.

The superstructure of a holding company was too wasteful in the eyes of the new management and, in January, 1917, it was arranged to do away with the holding company. Under the plan, stockholders of the American Ice Securities were offered the privilege to subscribe to 57,156 shares of the new 6% non-cumulative preferred stock, par $100, of the American Ice Company at $66 a share, with a bonus of 40% of American Ice Company common stock. The funds thus received were used for the purpose of redeeming $2,972,650 6% debentures.

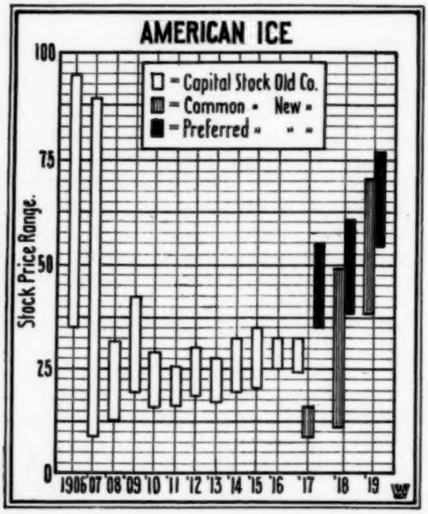
When the dissolution was finally effected in May of that year, the remaining assets were distributed among American Ice Securities stockholders, each receiving 48% in preferred and 25% in common of the American Ice Company, and 60c a share in cash. Thus, the financial structure of the system was entirely reconstructed, after years of building up of the business until it was placed upon a sound earning basis.

During the War

There are two distinct classes of companies in the ice business. One is dependent almost entirely upon natural ice and the other, on which American Ice stands alone, is not dependent upon natural ice, but is well equipped to manufacture artificial ice. A cold winter with its resultant large crop of natural ice places a manufacturing company, if not at a disadvantage, at least in a less satisfactory position. Last year all sorts of difficulties were encountered. Owing to the necessity of conserving stocks of ammonia for war purposes, an ice administrator was appointed and such conservation was effected that most of the artificial ice plants were obliged to shut down. American Ice had to meet equal competition with natural ice companies and how well this was done can be seen by a glance at the table showing comparative earnings.

Despite these handicaps the company ended its fiscal year on October 31, 1918, with gross sales of $12,622,867 against $9,840,529 in 1917. Oper-

ating expenses in 1918, however, consumed $9,080,806 and total deductions amounted to $10,955,192, so that on the face of the report, the net income was cut to $1,208,098, or about $4.42 on the common stock. That such a showing was remarkable under the circumstances cannot be doubted as the year was a bad one for artificial ice companies, owing to the severity and length of the winter.



In order to interpret American Ice's position during 1918 the profit and loss account should be further scrutinized.

AMER. ICE—(%) EARNED ON STOCKS

	Preferred Earned %	Preferred Paid %	*Common Earned %
1909	7.01	1½	2.15
1910	3.22	1¼	....
1911	3.99	1¼	....
1912	2.47	1¼	....
1913	11.12	1¼	10.67
1914	2.73	1¼	....
1915	3.53	1½	....
1916	4.72	1¼	....
1917	7.33	3¾	2.77
1918	8.10	6	4.42

*No dividends have ever been paid.

Hidden Values?

One is never safe in blandly offering an assertion unless he can produce indisputable evidence. The reader should draw his own conclusions from the following: For gross sales and other income from investments, etc., $12,742,433 was shown in the 1918 fiscal period. This exceeds the best previous year by nearly $3,000,000. Costs of operations were high in 1918 compared with previous years and amounted to $9,080,806, or nearly $2,000,000 over 1917. Examining these costs of operation in detail, we find a brand new item of $740,780 for depreciation of general property, aside from another of $687,224 for maintenance and improvements. This former item is equivalent to about $10 a share on the common stock. Now if we omit the amount set aside for depreciation of general property and deduct the resulting operating expenses from 1918 gross sales we have $3,661,327 or about $1,000,000 more as operating profits than in 1917. The operating expenses deducted do not include, of course, provision for taxes, maintenance and improvements and other fixed charges. These matters are very largely a matter of bookkeeping of course, though nobody but the managers of the company can say whether the 1918 charges are excessive. A scrutiny of the balance sheet items leads to some interesting conclusions as to the asset value of the preferred stock. The latest balance sheet shows:

Total Assets	**$35,467,384**
Total Liabilities	**7,279,951**
Assets available for Preferred	**$28,187,433**

This includes current liabilities and bonded and mortgage indebtedness.

American Ice's plants are in much better shape now than they have been for years since earnings have consistently been put back into the property. These plants are carried on the balance sheet for $15,000,000, and according to present day estimates, the cost of erecting similar plants would require nearly $30,000,000. Good will, water rights, and patent rights have been carried at about $17,000,000 for many years, and while this amount was probably excessive in the past, it may be justified under present conditions. If this item were to be entirely eliminated the assets behind the preferred would amount to about one

half, which still leaves $94 behind the preferred stock. If we cut the "good will" item in half to $8,500,000 this would mean about $141 behind the preferred stock.

American Ice's securities cannot be valued, therefore, on the face of the yield statement as given, for if such an ultra conservative policy of charging off large sums wherever possible was not adopted, especially in the last three years, a fairly substantial earning power would have been shown on the common stock.

This Year's Prospects

American Ice has been in the habit of losing about $600,000 during the winter season which starts about the end of its fiscal year in October and extends well into May. This year there is an entirely different story to tell. An unusually "open" winter, the mildest ever experienced in the history of New York and correspondingly mild all over the territory covered by harvest ice, are charging as high as $30 per ton.

The American Ice Company presumably has included the natural ice stored from last year, amounting to about 2,300,000 tons for sale. If they are able to average only $10 per ton this year, which is more than reasonable because of the acute shortage, instead of $6.50 per ton average as in 1918, gross earnings ought to run between $20,000,000 and $23,000,000. Allowing even $10,000,000 for general expenses, instead of $9,000,000 of last year, the net earnings should equal $10,000,000, or the equivalent of 10 times the preferred dividend. As there are 150,000 shares of the preferred outstanding, only $900,000 is required to pay the preferred dividend at the rate of 6%, and these earnings would leave over $100 on the common stock.

American Ice is in a favorable position because first; the past accumulated earnings are heavy; second, prospective large profits, and third, the likelihood that the preferred and common stockholders will get together before long and devise a new plan, whereby the preferred will receive 7% and the junior shares some distribution.

AMERICAN ICE—INCOME FEATURES FOR 10 YEARS

	Sales of Ice and Mdse.	Oper. Expense	Total Deductions	Total Income	Net Income	Surplus
1909	$8,710,928	$6,584,038	$7,389,264	$1,336,999	$1,045,980	$ 822,177
1910	8,661,849	6,971,538	7,848,188	822,805	479,791	293,289
1911	9,009,476	7,162,726	8,111,568	920,701	596,429	409,927
1912	8,638,406	6,950,719	7,954,759	701,660	369,246	182,744
1913	10,490,616	7,462,333	8,499,552	2,015,656	1,659,321	1,472,819
1914	8,826,881	7,034,643	8,091,013	746,113	408,866	222,364
1915	8,639,984	6,797,013	7,761,960	888,468	526,182	302,379
1916	9,172,962	7,007,903	8,128,538	1,100,573	704,561	518,059
1917	9,840,529	7,404,764	8,504,384	1,504,699	1,093,761	530,474
1918	12,622,867	9,080,806	10,935,192	1,807,241	1,208,098	313,164

American Ice's operations, benefited the company tremendously. It does not take much figuring to arrive at the conclusion that with money made during the winter months and with the prospects of a larger business than ever before during the summer owing to the fact that natural ice companies will be out of the running, American Ice should show the largest earnings in the history of the company. At any rate, a "summer move" seems to be a periodic stock market feature in American Ice and there are plenty of things to talk about this year.

Ice is selling in the country as high as $20 a ton, and towns situated on the Hudson, which were unable to

The preferred has advanced somewhat from its present low level last winter but around its present price of $75 it is still cheap as a 6% dividend payer yielding 8%.

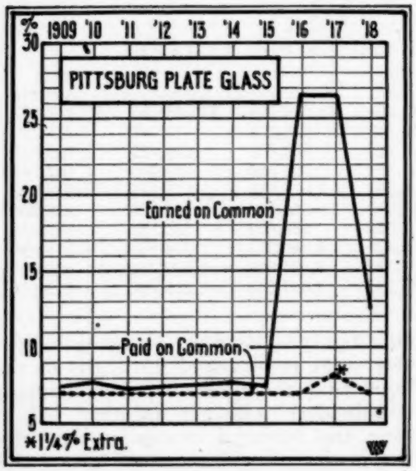
The junior shares are somewhat speculative, but with the large equities already built up and with earnings running at a very high rate, the stock is entitled to sell above its present price of around 65.

Pittsburgh Plate Glass Enters New Fields

By MAX GOLDSTEIN

A Stable Corporation Suddenly Hit by War-Time Prosperity—"Plows In" Its Extra Profits, and Plans Expansion Program—A Security Tightly Held and Super-Safe

IN 1914 Pittsburgh Plate Glass Co. had been going on in its accustomed routine way, as a had since its incorporation in 1883, earning just about the same amount each year, steadily paying its 7% on the common, no more and no less, ever since 1907. The gross sales, net income, the depreciation charge, every important item figured up to pretty nearly the same amount, year in and year out.



Then came the Great War. Thrones tottered, kingdoms fell—and in 1917 Pittsburgh Plate Glass declared an extra dividend. This departure from its staid customs of the past shows how deeply the ordinary course of events had been shaken out of its channel in the life of the corporation.

A glance at the table herewith will show the rise in gross sales in 1916, when the effects of the war upon the glass business and its virtual embargo upon imports from Germany had had time to show themselves. While the rise in gross sales amounted to 40%, the rise for the same year in net income shows the startling figure of over 230%, after having stood stationary since 1909.

The same unheard-of prosperity continued on into the next year, when a slight advance was even registered in net income. The fact that a $7,000,000 increase in gross for 1917 raised the net income by only $570,000, whereas in 1916 a rise in gross of somewhat less than $9,000,000 had increased net by fully $4,200,000, shows that this year's new business was proportionately not as profitable as the previous year's addition.

And, in fact, the 1917 figures, for the year ending Dec. 31, had already begun to show the influence of high labor and raw material costs, especially in an industry where the labor is of the most skilled type, and of Government contracts at a close-to-cost basis.

The conservative policy of the company is shown in its financing. There is no funded debt at all, and a very small issue of preferred stock, amounting to $150,000. Of the common 248,500 shares have been authorized, 247,150 of which are outstanding. Hence the company's fixed annual burden is very small, being only the $18,000 due annually in 12% dividends on the preferred. The price-range of the stock has been comparatively narrow, the high for 1918 being 120 and the low 107. This is probably due to the small demand for it, and the tight holdings of the stock, which is practically unknown outside of the Pittsburgh Stock Exchange.

In line with the "safe-and-sane" financing policy of the Pittsburgh Plate Glass Co., as soon as profits began mounting in 1916, increasingly large amounts were set aside for depreciation account. The increase for depreciation of 1916 over 1915 amounted to over 85%, and upon reference to the table it will be seen that somewhat larger amounts were added for depreciation in the following years.

Do what they would, however, with depreciation and surplus accounts, profits had mounted so high that extra dividends simply had to be in order. Accordingly, in defiance of all previous corporation tradition, an extra dividend of 5% was declared on the preferred in 1917, and in the same year an extra of 3% on the common, some of which came from the surplus earned before 1913. The common shareholders also received an extra stock dividend of 10% in April, 1917, and a 3% extra in 1918.

A good deal of the earnings was invested in Liberty Bonds, $1,041,350 having been bought in 1917, and $2,171,424 in 1918. Inventory accounts show a rise which would be considered inordinate, if it were not generally known that glass has risen more in price since the war than almost any other commodity. The figures are: $6,599,767 for 1916, $8,814,853 for 1917, and $10,969,261 for the past year.

The company had originally been organized to manufacture plate glass, and had gradually expanded on a small scale into the paint and brush making fields. With the coming of war it found the German supply of the higher grades of glass cut off, and set to work to fill the demand. When we entered the war the company went on into the making of spectacle glass and other high-grade optical glasses, under the direction of the Bureau of Standards, for military and allied purposes.

The present policy of the company is to keep to the manufacturing of its high-cost special lines of glass, and to protect its interests in other fields. For this purpose it has purchased a linseed-oil plant and a warehouse on Long Island.

For the future, of course, it faces the menace of competition from Europe, but it seems well fortified because of its extremely cautious financial policy, and its diversification of activity. A more substantial barrier against foreign competition is expected to be put up by the next Congress in the form of a high duty on imported plate glass.

TEN-YEAR ANALYSIS OF INCOME ACCOUNT

Year	Gross Sales	Depreciation	Net Income	Surplus for Year
1909	$19,769,848	$ 594,506	$1,318,530	$ 86,030
1910	22,874,934	713,835	1,447,102	144,870
1911	21,136,170	303,265	1,639,382	60,804
1912	21,328,883	489,558	1,669,322	81,877
1913	22,770,594	770,081	1,685,217	97,761
1914	22,128,254	665,315	1,738,705	151,249
1915	22,825,075	542,106	1,659,238	71,101
1916	31,580,256	915,957	5,970,232	4,381,232
1917	38,892,769	1,006,543	6,546,092	4,505,376
1918	41,068,527	1,122,506	*3,144,216	1,396,138

*After deducting $1,269,513 Federal Income and Excess Profits Tax.

"FINANCIAL INDEPENDENCE AT FIFTY"

The next article in this series, by Victor de Villiers, entitled THE PROFESSIONS AND THEIR INVESTMENTS, will appear in our next issue. This article will carefully balance the advantages or handicaps possessed by the average professional person in investing profitably, discuss the main causes of failure and the weak links in the professional mind and attitude towards investing. The author will suggest remedial measures for immediate straightening out of mistakes, plans for future independence, and classification of types of securities considered suitable for the individual members of a profession.

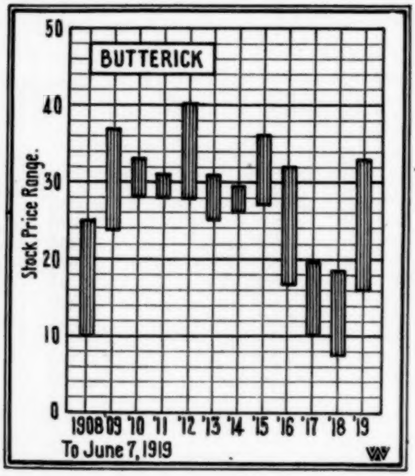
Butterick—Benefited by Taxation

By DWIGHT F. NORTON

Effect of Income and Excess Profits Taxes on Advertising—The Activities, Earnings and Outlook

WHILE many corporations have been struggling with the burden of the income and excess profits taxes, there is one class of industry to which these taxes have been and will continue to be of great assistance. This industry is that of publishing, and the reason for the apparent anomaly is that publishers' profits are derived entirely from other people's advertising and cost of advertising is classed as an operating expense.

The practical effect of this situation is that a considerable part of all advertising



appropriations is paid by the United States Government. Consider a corporation $10,000 of whose income is subject to tax at the 40% rate. Of this $10,000 the corporation can retain $6,000 and pay out $4,000 as taxes, or it can spend the entire $10,000 for "long pull" advertising and thus secure $10,000 worth of publicity at a net cost of $6,000.

The term "long pull" advertising as used in the foregoing refers to advertising of trade marks, service, etc., for the purpose of building up a permanent following. All advertising may be thought of as falling in one of two classes. One kind is for immediate results with little or no permanent value, as in the case of offerings of some specific article. The other class aims to fix in the public mind a name or trade mark which will influence purchasers over a term of years, although the immediate effect may be small or even negligible.

These two classes blend imperceptibly into one another, but in any advertising medium well-defined examples of each sort may be found. The former class is not suitable for the purpose of reducing taxes, as profits therefrom will usually accrue in the same fiscal period as the advertising expense. The latter class is, however, admirably adapted for use at present to establish a reputation and permanent good-will at bargain prices.

We may safely assume then that, in spite of high costs of labor and of paper, the publishing business has entered upon a period of prosperity, which bids fair to continue at least as long as a high rate of taxes based on corporate income is in effect. In attempting to secure a share in this good fortune, however, the average investor finds that practically all publishing concerns are close corporations, with no stock for sale to the public.

The one exception to this, which is listed on the New York Stock Exchange, is The Butterick Company. Its record in the past has not been brilliant, but the new conditions in the advertising field justify an investigation of its status at this time.

Activities

The Butterick Company is a holding corporation incorporated in New York in 1902, and now owns the entire capital stock of the Federal Publishing Co., The New Idea Pattern Co. (of New York), The New Idea Publishing Co. and the Ridgway Co. The latter was acquired in 1909 by an increase in The Butterick Company's capitalization and the exchange of three shares of Butterick stock for one share of Ridgway. Through

these companies they control other publishing and fashion concerns.

Their best known publications are "Everybody's Magazine" and "The Delineator," but they also publish "Adventure," "The Designer," "The Woman's Magazine" and various other literary and fashion periodicals circulating here and in foreign countries.

The company's other principal source of revenue is Butterick Patterns, which are known all over the world and have been considered the standard for at least a generation. The manufacture and sale of paper patterns is highly profitable and is a field in which it is difficult for competitors to obtain a foothold.

The Butterick Company's funded debt has shown a steady decrease from year to year, and on December 31, 1918, was as follows:

One hundred and seventy-eight thousand dollars of an original issue of $12,000,000 of the Federal Publishing Company's Collateral Gold 6s, maturing Feb. 15, 1920.

Two hundred and seventy-two thousand dollars of an original issue of $600,000 of The Butterick Company 6% Notes maturing serially at the rate of $120,000 per annum from Feb. 15, 1918, to Feb. 15, 1922.

A 5% real estate mortgage for $500,000 secured by the company's 15-story building at Spring and McDougall Streets, New York City, which matures October 1, 1919.

The last of the Ridgway Company's 7% bonds were paid off in 1918.

The outstanding stock is $14,647,200 of an authorized issue of 150,000 shares of $100 par value, and is all of one class.

The company does not issue a detailed statement of income, but reports net profits for the year after taxes, interest, and provision for depreciation. The table beginning with the year prior to Butterick's acquisition of the Ridgway Co., shows the net profits for each year and the dividend record. The uniformity of profits per share is quite remarkable. The sharp decline in earnings culminating in 1917 was due largely and perhaps entirely to war conditions and need not occasion apprehension for the future.

The sharp decline in earnings culminating in 1917 was due largely and perhaps entirely to war conditions and need not occasion apprehension for the future.

BUTTERICK'S TEN YEAR RECORD

				Per Share	
	Profits	Dividends	Surplus	Profits	Dividends
1908	$341,547	$180,000	$161,547	$2.85	$1.50
1909	473,357	287,730	185,627	3.70	2.25
1910	645,816	438,026	207,790	4.42	3.00
1911	739,416	439,416	300,000	5.05	3.00
1912	461,748	439,416	22,332	3.15	3.00
1913	516,593	439,416	77,177	3.53	3.00
1914	499,104	439,416	59,688	3.41	3.00
1915	458,139	439,416	18,723	3.13	3.00
1916	410,306	329,562	80,744	2.80	2.25
1917	261,014	0	261,014	1.78	0
1918	441,896	0	441,896	3.02	0
			Total - -	$36.84	
			Average - -	$ 3.35	

Position of Stock.

It is now said to be the plan of the company to put out $1,000,000 or $1,500,000 of preferred stock and cancel bond and mortgage indebtedness. The company is reported to be earning at the rate of $12 a share on its stock, and even with a 6 per cent. preferred there would still be left a surplus from which at the very least 4 per cent. could be paid on the common. Butterick has the backing of a powerful trust company in Wall Street which has great faith in the company.

The favorable factors in the situation seem to have been pretty well discounted by the rise from a low of 16 in January and February to more than double that figure. The issue, however, seems to have possibilities as a long-pull specvestment if it can be picked up on a sharp reaction.

Current Stock Offerings

A REGULAR feature of "The Magazine of Wall Street" hereafter will be a brief presentation of the salient facts concerning current stock offerings. No opinion or rating of any kind will be attempted, and the purpose is purely to keep the reader informed on the more important issues. The plan will be to arrange the offerings in alphabetical order.

AMERICAN FABRICS CO. 7% CUM. PREFERRED. Manufactures a large variety of laces and also narrow fabrics. Main plant at Bridgeport, Conn., also operates plant at York, Pa. Outstanding: Pref., $1,500,000; common, $300,000. Net earnings for year ended March 31, 1919, after Federal taxes, $603,098 compared with $262,329 in 1918 and $283,020 in 1917. Amount offered, $1,200,000, at 97.50 to yield 7.10%.

AMERICAN STEEL FOUNDRIES 7% CUM. PREFERRED. Company is largest producer of steel castings in U. S. Operates nine plants, having a capacity of between 310,000 and 360,000 tons annually. Proceeds of issue to be used to acquire Griffen Wheel, largest manufacturer of steel wheels in this country. Outstanding: Bonds, payable serially, $1,372,800, pref., $9,000,000 now offered and $17,184,000 common. Average annual earnings applicable to issue based on operations of Steel Foundries in past 13 years and Griffen Wheel in past six years over four times dividend requirements. Net quick assets per share of new preferred, $115.39. Carefully safeguarded as to dividends and as to issuance of further capitalization. Business has been operated without change of management for past 13 years and all of the officers are actively engaged in business. Same men will continue in charge. Offered at 98½ to yield 7,107.

CLINTON-WRIGHT 7% CUM. FIRST PREFERRED. Old established concern. One of the largest manufacturers of wire and wire products. Has six plants in Western Mass. Outstanding: 1st pref., now offered $3,500,000; voting pref., $1,500,000 and $7,500,000 common, par, $50. Average net earnings of constituent companies in past three years over 4 times dividend requirements for this issue. Demand for company's products is national, and is steadily increasing. Fixed net assets appraised at $235 a share, and net quick assets at $120. Tax exempt in Mass. Offered at 90½ to yield 7.10%.

COLONIAL TIRE AND RUBBER. Company will operate three fully equipped plants, of which one of 200 tires daily capacity is producing at present, and two other plants of a total capacity of 2,000 tires and tubes daily. Main plant at Anderson, Ind.. Plant is well equipped with up-to-date machinery. Manufactures "Nobob" tires. Company stated to have no liabilities except current liabilities, which on June 1, amounted to less than $15,000. Outstanding: Pref. $40,000, par; $25 and common $905,000, par $10; including present offering. With plants working at only 50% of capacity, net earnings should be more than 150% on outstanding capitalization. Total liquidation value of company as shown by appraisal will be $790,261, exclusive of the preferred, all of which will be applicable to the common stock then outstanding. Officers: J. W. Sansberry, Ind., Pres.; J. L. Exchange Bank, Anderson, Ind.; Pres., J. L. Skeldon, Pres. Skeldon Engineering Co., Vice-Pres., and C. H. Walters, rubber expert, Secretary and General Manager. Common offered at $12.50.

THE FIRESTONE TIRE AND RUBBER 6% CUM. PREFERRED. Company manufactures tires for trucks, passenger automobiles, and carriages, inner tubes and steel rims, as well as tire accessories and rubber boots and shoes. More than one-half the truck tonnage of America is carried on Firestone tires. Outstanding: Pref., $10,000,000 and $3,500,000 common. Total net earnings for 1918, after depreciation and Federal taxes, over ten times dividend requirements on preferred. Total net assets over $500 a share, and net quick assets $280 a share. Issue carefully protected as to dividends and earnings. Liberal sinking fund effective from 1921. Offered at par to yield 6%.

JOHN E. HURST CO., 7% CUM. FIRST PREFERRED: Company is one of largest and best known wholesale and drygoods and notion houses in the South. Outstanding: 1st pref., $1,500,000; 2nd pref., $750,000; and common, $1,250,000. Net earnings for this issue more than 3½ times dividend requirements. Liberal asset values, mostly in liquid form. Management in same hands as majority of men who made success out of John E. Hurst Co., for some years past. Offered at par and 10% bonus of common stock.

MERCHANT REFRIGERATING 7% CUM. PREFERRED. Company has occupied premier position in one of the fundamental and essential industries of the country. Owns and operates six cold storage warehouses located in N. Y. City and vicinity. Outstanding: Funded debt, $3.420,000; pref., $2,048,000 and common, $2,000,000. Net earnings are 2½ times dividends on preferred, and are steadily increasing. Preferred is protected by net tangible assets of $165 per share consisting principally of New York real estate in the best business sections. Liberal protective restrictions and sinking fund. Offered at 95 to yield 7.40%.

OHIO SAVOLD. Organized by a group of practical business tire men in Pittsburgh to conduct tire reconstruction in the State of Ohio under the Savold process. Stated that Savold method rebuilds the tire from the inner lining to the new thread, differing in this vital way from ordinary retarding systems. Operations in the five main plants began on June 15, and the plants will be enlarged as the business grows. Outstanding: $2,000,000 of common stock, par $20. Officers C. A. Vetter, Pres., an experienced tire man having been Pennsylvania manager of Goodyear Tire and Rubber Co. for some years; Clem Jackson, V. P., sales manager of Walger Connector Co. of Toronto, Canada; and J. D. Langdon, Secretary & Treasurer, a heating expert and engineer of wide experience.

SHAFFER OIL & REFINING 7% PARTICIPATING CUM. PREFERRED. Company will acquire the C. B. Shaffer oil interests comprising 57,000 acres of proven lands in Texas, Oklahoma and Kansas with a present production of over 4,000 barrels a day. Also extensive equipment. Estimated value of property figures up to about $200 a share for the preferred. Outstanding: Bonds, $12,000,000, pref., $11,000,000 and 200,000 shares of common with no par value. For past 3 years, balance after interest charges has averaged more than three times the annual dividend requirements. Unified management and organization stated to result in increased earnings. Company subsidiary of Standard Gas & Electric 7% cumulative dividends annually and participate with common up to 10%. Offered at 93 to yield about 7.50%.

SOUTH AMERICAN GOLD & PLATINUM COMPANY. Company's subsidiaries are producing gold and platinum in the Intendencia of El Choco, Colombia, S. A. Resources of this region have been known since 1737. Exceptional values of platinum and gold have already been blocked out. Plans are being prepared to install additional equipment for mining by the most modern and scientific methods. Majority of stock controlled by Lewisohn Bros. and allied interests. 300,000 shares of stock offered for subscription quickly subscribed for.

Trade Tendencies

As Seen By Our Trade Observer

The average investor has neither the time nor the opportunity to follow developments in the various industries, although such developments at times are of vital imporance in the consideration of the long range prospects for securities. This Department will summarize and comment upon the tendencies in the more important trades as expressed in the authoritative trade publications and by recognized leaders in the various industries. As the general tendency in a given trade is but one of the many factors affecting the price of securities representing that industry the reader should not regard these Trade Tendencies alone as the basis for investment commitments, but merely as one of many factors to be considered before arriving at a conclusion.—Editor.

Railroads

Rates May Not Be Raised Before Dec. 31

Greater optimism in railroad circles has been the result of the marked increase in traffic since June 1. It is now widely believed that no rate raises may be necessary before the roads are returned to private ownership. The Middle West has shown a 64% increase in grain loading, and traffic in other commodities has also shown a decided gain. In the East the improvement has been more pronounced in the iron and steel industries, but general merchandise traffic has also increased. The South reports a slight reduction in coal traffic because of delayed shipments, but lumber, fruits and provisions are moving freely.

Taken with Director-General Hines' announced policy of keeping rate increases to a minimum, this improvement in traffic handling is understood to indicate that further rate raises are improbable, for the near future. Railroad executives are inclined to disagree with the optimism prevailing in official circles about the traffic advances. They point out that the increased traffic means a great wear and tear on the equipment, which is not being properly compensated for at the present time, and which in effect weakens the earning power of the roads in the long run, though it may produce an appearance of prosperity for the time being.

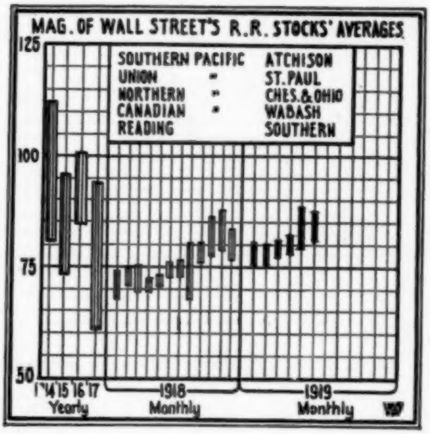
Hines Will Not Finance 1919 Improvements

Director-General Hines' statements before the House sub-committee on appropriations in connection with his request for a $1,200,000,000 appropriation for the railroad revolving fund indicate that his policy until the restoration of the roads to private ownership will be to let them finance their own improvements, unless the demand in particular cases is exceptionally urgent.

He also said that he intended to force the roads to repay the Government for expenditures made in their behalf before they arranged for additional improvements. The total owing to the Government on this account is $775,000,000.

This was the basis of his request for the additional appropriation, as he said the Government would have to clear up the roads' current liabilities through its own resources before it could try to compel them to reimburse it for previous expenditures. This is taken to mean that upon the return of the railroads to private hands, the corporations will have to issue first of all $775,000,000 in new railroad securities with which to reimburse the Government before they can go ahead on any program of improvement or expansion.

This raises the question of whether the market can take care of such a large amount of new securities, especially as Mr. Hines seems to insist upon an immediate repayment by the railroads as soon as they are returned to the corporations. The one consoling factor to the



roads seems to be that the Railroad Administration is apparently perfectly willing to undertake the financing of all current liabilities, thus reserving the railroads' credit for use in their later operations for reimbursement and improvement.

The great expansion in railroad construction of which much has been heard recently would therefore seem to have been laid on the shelf, for the immediate future at least, because of the exigencies of Government financing.

Steel

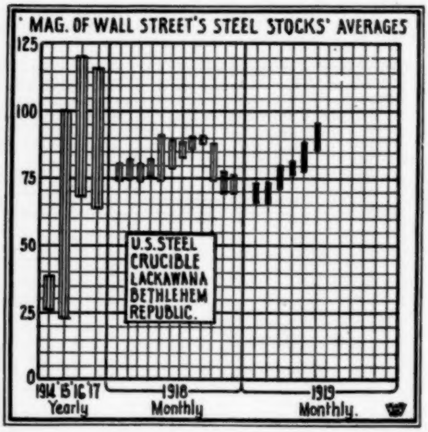
Increased Demand Expected

Increased activity is the order of the day in the steel industry, and those who are watching the trade closely say that an even greater volume of business may be expected within the next two months. The average output now is about 65% of capacity, as compared with little more than 50% during the doldrums of mid-May.

Great factors in the recent resumption of production have been the heavy demands of the motors industries for sheets and of the oil companies for pipe. Heavy orders by the two largest automobile manufacturing concerns have helped greatly in increasing the confidence of steel men in the immediate future. In addition to orders for sheet steel the motors have been greeat consumers of structural steel of late.

The farmers have been customers for steel through the dealers in agricultural implements, but the crest of this demand, it is believed, will not come till after the crops have been harvested and the farmer has enough ready cash to enable him to come into the market for large quantities of steel implements.

Fabricated steel is just beginning to come into its own in domestic buying. The Bridge



Builders' and Structural Society estimate that the orders for fabricated steel in May amounted to 49% of the fabricating capacity of the structural shops, showing a steady rise, month after month, from the 12% estimated in January.

The most reassuring thing about the orders thus far placed has been their small size, indicating that the bigger projects are still waiting with their steel orders, and that the largest part of the demand it still to come.

All this increasing activity in steel, too, has taken place without any assistance from the railroads, formerly among the heaviest customers of the steel producers. While the railroad situation in its relation to the steel market is a very complex affair, the net result of all the discussions of it seems to be that all the railroad buying of steel for normal maintenance and replacement purposes that has been foregone so far because of difficulties with the Railroad Administration will have to be made up by the time the roads are returned to private ownership. As this is forecasted for the end of the year, the probabilities are that the heavy buying will have to be done by July or August, or else the railroads will not be returned to their former owners in the condition they were when they were taken over by the Government. On this account alone a great further increase in the steel business is bound to come, estimated by one steel man at 10,000,000 tons.

All this does not take into account the possibility of further railroad expansion, which has been freely predicted in transportation circles. Some have even gone so far as to say that we are about to enter upon the greatest period of new railroad construction that the country has ever gone through. What this would mean to the steel industry in the way of orders for rails and equipment is of course obvious.

Prices to Stay at Present Levels

As to prices, the consensus of opinion seems to be that there will be no radical change between now and the end of the year from the price schedule of March 21. Whatever changes there will be will be slight and upward in tendency.

Insiders state that within the industry there is a difference of opinion on this matter of steel prices. The independents would like to see prices revised upward, claiming that the present levels do not allow them any profit, because of their high overhead and operating expenses as compared with the big producers.

The larger steel manufacturers, it is said, want prices to remain substantially at their present height until the demand develops itself fully. They hold that it is "unusual and unwise" to raise the price of steel while the demand is fairly sluggish, asserting that a price raise would chase back to cover the already shy demand. With a market as restricted as the present one, the large operators are able to control prices in a downward direction in their present frame of mind merely by underquoting the independents, should the latter try to raise rates, and consequently absorbing all the steel demand there is.

Export prospects are more promising at the present time than they have been for a long while. With the recent cut in carrying costs of steel to Great Britain of $2 to $3 a ton export inquiries from that source are being given serious consideration. To date, Japan and South America have been our heaviest foreign customers, the former specializing largely in black tin plate, for which their own mills are not as yet adapted.

The announcement of the decrease in unfilled orders of U. S. Steel, for the month of May, amounting to more than 500,000 tons,

was a great surprise to steel men, but upon reflection it was not regarded as a particularly bad sign. Increased operation of plants is said to have accounted for much of the decline, and two large orders received during May, for a total of over 500,000 tons were not figured. Unfilled orders for the rest of the year are expected to remain well above the May figures.

Copper

An Uplift Movement in Copper Exports Next Step

Copper keeps on getting brighter as the weeks pass on. Not only is the price going up, but the redoubtable copper surplus, amounting to somewhere between 1,200,000,000 and 1,500,000,000 pounds according to latest Government estimates, is gradually melting away. It is said by copper men that the industry can afford to hold over this accumulation till November at a cent a pound.

Consumption has more than caught up with production, and is beginning to eat into the surplus. In May more than 100,000,000 pounds of copper were used up in addition to current production.

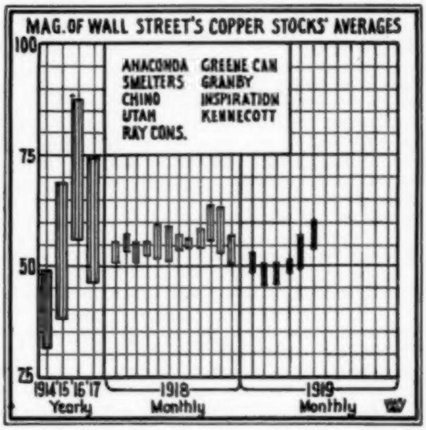
At the producing end of the industry, the policy of restricting output is being maintained and even extended, as the monthly reports of the principal mining companies show. However, Northwestern mines announce that they are putting their equipment into shape for handing an extra amount of ore as soon as the surplus is absorbed or it becomes advisable for the copper producers to begin increasing production instead of decreasing it.

One of the peculiar things about the copper situation at the present time is the fact that while we have such a large surplus of the metal, we are still importing over 50% more than we export. To a large extent, no doubt, this overbalance of trade in the copper industry may be expected to right itself as conditions improve in Europe.

One reason why the export trade in copper has not lived up to expectations in holding up the price of the red metal is that the Allied countries, the only ones with whom we have been able to trade thus far, have had large surpluses of their own to get rid of before they could begin to be regarded as possible or prospective customers of ours. Thus England is reported to have 114,531,000 pounds above her needs, and France and Italy combined 300,000,000 to 400,000,000 pounds of surplus copper.

Soon after the armistice, therefore, France laid an embargo on the importation of copper, which has only recently been raised. Since it is to be presumed that the French Government would not have changed its imports restriction policy without due cause, this removal of the embargo on copper may confidently be taken as an indication that France has either used up its surplus of copper or else realized that it would need for reconstruction purposes a larger quantity of copper than it had in sight.

England, too, should be a heavy buyer of copper from us later as only last year we were supplying 60% of her needs in that line. The German demand, to which reference has been made before in these columns, has not displayed any new developments and remains in the same position as before: a tremendously heavy customer if at all.



Copper prices now seem well on their way to the 20-cent level which producers have announced as their goal before the summer is up. For the last three months copper has risen steadily though slowly from a low of 14½ cents a pound to its present rate of about 18. Even at 20 cents, it must be remembered, it would be 6 cents a pound below the prices prevailing at the time the armistice was signed, a heavier decline than any registered for a similar commodity. Copper has therefore a great past to live up to.

Shipping

Shipping Board Investigation Nearing Completion

The Congressional Committee investigation of the activities of the Shipping Board which has been going on for several months is now in its last stages. Its investigators are obtaining data from all shippers who have been allocated boats belonging to the Board, and are collecting definite data concerning the alleged maladministration of the Board's affairs. Men who are operating Shipping Board boats charge that they have been hampered in their work by unnecessary red tape and insistence on obstructive detail.

Among the alleged offenses of the Board's

administration of the nation's mercantile marine, according to officials of shipping concerns, are needless and troublesome delays, excessive cost of operation, and patent injustice in the allocation of ships. All these matters are being threshed out by the investigating committee, and immediate action at the next session of Congress on the committee's report is awaited by the shipping world.

It is often said, also, by the older shipping men, that a disproportionate amount of tonnage is being allocated to mushroom concerns which have sprung up since the war, and which consequently have not had the experience in ship operating necessary for the utmost efficiency. While no objection is made to the success of young firms which have won their way upward by sheer merit, the general feeling is that the more experienced firms have been neglected in the allocation of ships. For instance, firms which have engaged in coastwise trade exclusively have recently been given the preference in the allotment of transatlantic vessels over firms whose business has been in that line for years.

American Shipbuilders and Foreign Orders

As far as the shipbuilding industry is concerned, much doubt is expressed over its ability to capture foreign orders from the shipyards of other nations, notably Great Britain, which can turn out the same ships at costs in some cases 35% cheaper. It was only very recently that President Wilson issued his order permitting the acceptance of foreign shipbuilding contracts by American shipyards. Up to that time American yards had been reserved solely for the construction of American ships, but with the cancellation of orders wholesale by the Shipping Board when hostilities ended, many yards found themselves burdened with heavy upkeep costs, no domestic orders, and an embargo on foreign orders.

They were momentarily relieved by the announcement that they would be permitted to build ships for foreign ownership, but at the present time it seems a question whether they can offer inducements to prospective foreign shipowners strong enough to offset the cheaper prices quoted by British and other European shipbuilders.

The Shipping Board's plans, as announced by Chairman Hurley, contemplate the completion of the program for which Congress originally authorized $3,671,000,000. For this purpose an additional appropriation of $372,180,301 has been asked for, which will be added to the $2,625,451,000 already appropriated by Congress. According to figures submitted by Mr. Hurley in his request for the additional appropriation, the ships built to date have cost an average of $206 a deadweight ton, from which may be deducted $26 a ton average income taxes, excess profit taxes, and other rebates to the Government by the shipbuilders.

By way of comparison with this Mr. Hurley states that he has sold three freighters at $210 a deadweight ton, thereby netting a profit of $4 a ton for the Government even without the inclusion of rebates arising from taxes.

Shipping experts here disagree with Mr. Hurley's attitude toward the excess profit taxes as deductions from the cost of production. They say that on the contrary they act as a handicap to American shipping, inasmuch as in this country the greater part of the depreciation cannot be written off because of taxation, while abroad, notably in the Scandinavian countries and in England, a fairly active ship will often be able to write off 50% or more as depreciation within a year. This burden on the American shipper, they contend, is not compensated for by the purely book-keeping way in which the taxes are subtracted from the original cost of construction according to Mr. Hurley's method of accounting.

No decision has as yet been reached in the controversy between the private as against the Governmental operation of the merchant marine. The Shipping Board has been having conferences at which representatives of both views expressed their opinions. It has announced as its policy the reconciliation of the demands of the carrier, whose interest favors earnings, and of the shipper, who wants primarily reasonable rates.

Plans for the allocation of shipping made public by Mr. Hurley show that considerable attention will be paid to the upbuilding of our South American trade. Already 226 ships, of 863,334 deadweight tons, have been allocated to lines doing a South American business, and at least two lines from New York are being planned to serve the West Indian trade, which will divide up the Caribbean territory between them.

An important change being contemplated by the Shipping Board is the carrying of mail by American steamers, instead of by foreign slow ships, as heretofore. When the new service is under way, it is expected that letters from New York will take only fifteen days to get to Buenos Ayres, instead of the present time of five weeks.

Leather

Rise in Market Continued

A never-before-witnessed situation has arisen in the leather industry. The market for leather of all grades started abruptly upward a short time ago and continues to advance rapidly, with consumers bidding widely against each other for immediate and future delivery. While many experts predicted that the top was near at hand a week ago and that the market looked top heavy, bidding continues unabated and most of the leather trade now think that prices will go even higher.

There has never been such a shortage of leather stocks. The explanation of the pres-

ent situation lies in the fact that so much leather has been taken out of the market for export and the stocks that have not already moved overseas have been purchased or contracted for by exporters with the view of meeting the tremendous demand, especially from Central Europe, when the Peace Treaty is signed. A canvas of the industry shows that there is practically no leather to be had in quantity and a shortage of this sort is likely to produce dire consequences.

As an indication of how the export demand has absorbed the leather supply, figures compiled by the Tanners' counsel are interesting. Exports in April, 1919 were about $21,000,000. The value of exports in this month alone were over one-third of the total amount exported during the whole year of 1918, and one-quarter of the amount for the whole year of 1917. During the best months of 1918 the total value of leather exports never exceeded $6,000,000, whereas in March of this year, the sum of about $13,000,000 was reached and for January and February, about $9,500,000.

The Demand from Europe

Even under the present unsettled conditions, the demand from Europe for all grades of leather, hides and skins and for the finished product; shoes, is tremendous. Of all the products that Europe badly needs, leather leads the list. In this connection it must be borne in mind that most of the large demand now apparent comes from countries that were neutral in the war, or from our Allies. Their need is great but it is not comparable to the demand that exists in Central Europe. Over 200,000,000 people in the latter section have been practically without leather for over four years and as soon as the Peace Treaty is signed, the rush to get this commodity will doubtless be tremendous.

There is little to wonder at, therefore, at the condition of the leather market. To say that leather men are puzzled over the situation is to put it mildly. Domestic requirements are very large also and in face of the present conditions, the industry is hard pressed to find a way to fill the needs.

All sorts of leather is in great demand. Glazed kid is equally sought after at what would have been termed before as prohibitive prices. Upholstry leather, all grades of calf skin, belting leather and other varieties are being purchased at any prices offered.

It is easy to determine, in the face of the present situation, that the leather industry will prosper for the rest of this year and next. With the leather men it is only a case of being able to turn out the product, and little fear is expressed over the ability to obtain orders for a long time to come.

Oil

Oil in a Strong Market Position

Oil is recovering from its demoralized condition of a few weeks ago, when great stocks of both crude and refined oil were accumulating and prices seemed to be headed downward. At that time the great market feature was the underpricing of the American crude product by Mexican oil of the same quality. A report was spread that the Mexican producers were prepared to sell crude oil at a cent a barrel. This was later branded as a falsehood, but the very fact that it got itself believed shows the lack of confidence of the oil men in the stability of their market.

All danger of competition from this source has not been removed. A committee of Gulf Coast independent operators has been agitating for the placing of a heavy export tax by the Mexican government on their crude oil, on the plea that within the last few months they have been forced to lower the price of oil by 80 cents a barrel.

The lighter crude oil of the other fields away from the coast has not been affected by this competition. A factor which has greatly increased oil production near the coast, both in Texas and Mexico, has been the release of tankers from Government service. Smaller operators have therefore gone in for capacity production and have flooded the market with low-grade oil, thus forcing the price down.

Very recently, however, the demand has livened up, and transportation facilities are becoming much easier to secure, tending to prevent the accumulation of a surplus. This amounts at the present time to about 750,000,000 gallons of fuel oil for the entire country, 40% of which came in the first three months of this year, when the market went to smash and nobody knew what was going to happen next.

This surplus is likely to remain with us for some months to come, as production is keeping pace with the increasing demand that is manifesting itself. The demand seems to be heavier for refined oil and petroleum products generally than for the crude product, although better prices for the latter have been obtained within the last few weeks. Particularly in Louisiana and California producers of crude have been reporting an active demand which has resulted in price increases of from 6 to 10 cents a barrel.

Exports not as High as Last Year

The export demand has begun to reassert itself, but it will have a long way to go to come up to the marks established last year. Exports of crude are the most active in comparison with last year's. Refined or manufactured fuel or gas oil exports are less than half of what they were at this time a year ago, while illuminating oil shows a slight increase.

In oil, as in so many other lines of industry, much is expected from the German demand once peace is out of the way. Germany before the war imported more than 100,000,000 gallons of oil yearly from us, and needed the product so badly as to make the most strenuous efforts to retain her imports of oil even in 1915, when her imports were cut down to the minimum.

The German demand should be considerable as the Pechelbronn wells in Alsace, on

which the Germans leaned heavily throughout the war, will be taken away from them by the terms of the treaty.

With the increasing domestic consumption and the prospect of a famished export demand oil producers in this country are expecting a well-sustained market in spite of the recent frenzied production. Unless an exceptional amount of oil is brought out, enough to flood the market badly, present prices should be maintained.

Grain

Record Crop May Hit Record Prices

The American farmer is due for the biggest year ever, according to the present outlook. Not only has he come across with the largest crop in American agricultural history at a time when the world needed it worst, but he stands in a position to receive the best prices for his crop that were ever known.

It must be remembered in this connection that the Government "fixed" price of $2.26 a bushel is only fixed at one end. It is a minimum price, but no assurance that the farmer will not receive more than the stated price should the non-Governmental demand prove strong enough to offer substantially higher prices than the one guaranteed by the Grain Corporation of the Food Administration.

An inkling of what may happen when the grain is harvested was given some days ago when a shipment of wheat, of inferior quality, was sold in Richmond, Virginia, at $2.75 a bushel. Should the demand continue to be as energetic as this the Government would have to pay well above its guaranteed price to secure the grain.

The Grain Corporation has announced that beginning with July it will install a system of premiums, increasing each month, whereby the later the farmer sells his crop to the Food Administration the higher will be the minimum guaranteed price that he will get for it. The purpose of this is to encourage the farmer to hold his crop over a few months after the harvesting, to conserve as much as possible the transportation and grain elevator facilities of the country.

With the high prices now in prospect for wheat and other breadstuffs, it is scarcely likely that these premiums will be particularly successful in accomplishing their declared object, unless they are increased to such levels as to constitute practically a new guaranteed price. For the farmer will in all probability be offered such attractive prices for his crops as to make him want to sell at once for private delivery. In that case, the very results feared by the Grain Corporation, the congestion of the railroads and elevators, would be brought about.

Bearish Factors Out of the Way

The huge wheat crop which is expected for this year would ordinarily have driven the price all the way down, but this is an unusual year in more than one respect. Australia's exportable surplus, which this year will amount to about 120,000,000 bushels because of the release of the war-time surplus which had been accumulating for lack of tonnage, would have been a bearish factor for American wheat had not a shortage of wheat developed in India.

India's wheat crop for this year is estimated at 200,000,000 bushels, the normal consumption being 325,000,000. The shortage of 125,000,000 bushels is more likely to be made up by Australian wheat than by American, in view of the shorter haul and the universal need of conserving tonnage.

In addition, neither the Russian nor the Austrian wheat surpluses will be available this year because of unsettled internal conditions, while the Allied and German demands will be as heavy this year as last, because Europe has not had time to plant crops since the end of the war.

One distressing possibility has been removed, too, the rumored shortage of manpower to help harvest the crop. It is estimated that 200,000 men will be needed, and reports from the wheat-belt employment service centralized at Kansas City indicate that a sufficient labor supply will be available.

Coal

"Buy Now" Is Message of Coal Trade

Coal producers and large dealers are united in a strenuous campaign to push the sales of coal this summer, before the big fall demand sets in. They present many convincing arguments in favor of their plan for an all-year-round coal buying season, some of which apply to every season while others have peculiar force this year.

They argue that a production period of four or five months in the year means that a large amount of capital tied up in the coal industry is idle for the major part of the year. Labor, too, knowing that its employment is to be seasonal demands proportionately higher wages to carry it through the months of unemployment, thus increasing the cost of production. At the same time, labor and capital have to be used in larger quantities when their production is concentrated in a few months of the year than when they can be spread out over the entire twelve months.

When practically all of the coal mined has to be carried at the same time, too, it imposes an excessive and unnecessary strain on the transportation facilities of the country. This leads to results such as were shown in an exaggerated form during the severe winter of two years ago. All this hauling of coal has to be done during the fall and winter months, too, when the railroads are already burdened enough with the transportation of the crops, which this year are of record proportions.

To present all these points and more before the public, coal producers are planning a great publicity campaign to state their case to the people, the retail dealers who supply the public, and the large consumers of coal who have sufficient storage space to hold a fair proportion of their yearly needs. This should result in greatly increased sales of coal within the next few months, and according to predictions, will break all previous records for sales of coal from July to September.

The prospects of a heavy coal export trade are considered very promising. Great Britain, which formerly supplied the bulk of the world's demand, is now facing a very dark outlook indeed in coal—her mining force has been cut down by ten percent, and the coal production per man is said to have suffered a serious decline as compared with pre-war conditions. In this country, on the other hand, precisely the opposite change has occurred; because of high wages based on quantity of output, the coal production per man has been increased to hitherto unheard of levels.

Italy is particularly in need of coal for her reviving industries. She has an agreement with English coal men for a certain stated amount a month but reports say that because of disturbed labor conditions England cannot fill her stated quota, thus compelling Italy to get her coal elsewhere.

The factors that hinder an active export trade in American coal are the unfavorable exchange rates which the United States has established on most foreign countries, the lack of tonnage and consequent restrictions, and the high freight rates prevailing on whatever shipping there is. Should Hurley's plan for the enlargement of our merchant marine go through, two of these obstacles would be swept away, leaving only the difficulties of foreign exchange to be met.

Another Coal Shortage

In the domestic trade a great revival in business is looked for, as since January 1 there has been a shortage in production over the normal of about 50,000,000 tons. Producers believe that the reason for the slackening of business up to this time has been the unwillingness of the great coal consumers to buy coal. They preferred to use up the great stocks they had accumulated during the war, and by this time they have gone through their supplies and should shortly be in the market again to replenish their coal holdings.

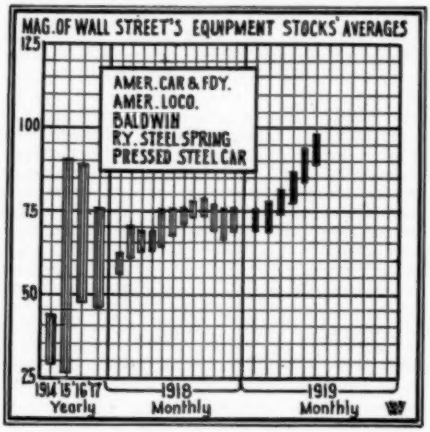
With a shortage of labor apparently inevitable and an undoubted difficulty in securing transportation during the fall because of the need of moving the grain crops, the coal shortage which has been predicted for this winter may become an actuality unless the public steps in now to secure its supplies.

Railway Equipment

Plans for Financing Near Completion

At last railway equipment manufacturers are assured that provision will be made by the Railroad Administration for payment of equipment ordered and delivered in 1918. Not only will the payment of these bills aid the equipment companies' finances and allow them sufficient funds to go ahead on new work, but it will clear the path for additional orders both from the railroads in this Country and abroad.

It will be remembered that one of the chief difficulties confronting a revival in business activity of the railroad equipment industry was caused by the muddle over the allocation of about $200,000,000 worth of equipment. The Railroad Administration, during 1918 and 1919, placed large orders for locomotives, carriages and other equipment at the high prices prevailing, and the railroads refused to accept these products, claiming that the prices paid were excessive and the difference between a normal expenditure for this material and the prices paid by the Administration, should be charged to "war costs." The refusal of the roads to accept this material forced the equipment companies to carry it until a plan could be devised by the Railroad Administration for financing these products.



A multitude of plans were offered for the solution of the problem and the issuance of certificates of indebtedness, similar to those advanced to the carriers for temporary payment of the Railroad Administration's obligations to them, was tried. Now a scheme evolved by railway executives and bankers calling for an equipment trust will probably be inaugurated. The plan, in its tentative form, provides for the formation of a $300,000,000 equipment trust. This sum will cover approximately 75 per cent of the cost of the rolling stock and represents about the proportion of the gross costs

bankers are willing to finance. According to the present plan, securities covering this obligation will be offered to the public and the proceeds will go to reimburse the Railroad Administration for the $300,000,000 of the $400,000,000 advanced by it. Since the total cost involved in connection with the purchase of this equipment is about $400,000,000, some plan will have to be evolved for the financing of the remaining $100,000,000.

Those in charge of the operation of the plan are not entirely in accord as to how the $100,000,000 will be financed. The prevailing opinion seems to be, however, that the Railroad Administration should lease the equipment to the railroads, and this would be accomplished during the life of the equipment trust, which will probably run for 15 years. By this method the Railroad Administration would get back 75 per cent of the investment immediately in cash and the remainder would be paid in installments running over a period of about 15 years. At the end of this period, the railroads would receive the equipment as their own, as payment for it would have been made.

Representatives of the Government refuse to agree to the plan for writing off the excess cost of this equipment (figured at about 25 per cent) and charge this loss up to part of the costs of the War. This was done in the case of standardized ships by the United States Shipping Board, and is certainly the most equitable solution from every point of view except the Government's. It is discouraging to railroad men to be obliged to pay very high premiums for this equipment, whereas, under normal conditions, they would not have been burdened with this load. If it is fair to act under such a plan in one industry, railroad men say, there is no reason why there should be discrimination against another. However, railroad executives were forced to acede to the alternative of paying cash and part in installments as described above.

If the Director General approves of the plan, preparations will be made at once to float the necessary securities. At this writing no announcement has been made as to rates and other terms for the proposed issue.

Tin

Supply Adequate Until October

A careful estimate of the supply of tin in the U. S. in the hands of consumers, dealers, jobbers and smelters show that it is sufficient at the normal rate of consumption to meet all requirements until the end of October. The U. S. has no working deposits of tin ore, and until two years or so, when the American Smelting & Refining started its electrolytic tin refinery to smelt Brazilian concentrates, we were practically entirely dependent upon foreign sources. The refinery capacity available in the U. S. has been growing rapidly, but the actual output of metallic tin will depend upon our ability to secure raw material, which is for all intents and purposes limited to Brazilian concentrates.

During the war period, owing largely to the large needs in connection with the war and a number of complications, the supply of tin fell below the demands. Many have attributed the reported shortage to the activities of speculators, who very largely dominate the tin market. After extensive negotiations among the Allies, the industry was placed under very rigid regulation. The level of prices in the past year or so has been abnormally high.

At present there appears to be plenty of tin in the U. S., and temporarily, at any rate the world has a sufficient supply of the metal. It is stated that the N. Y. Metal Exchange is working on a new contract form with which to reintroduce tin to trading. According to reports actual trading will begin on July 7, and considerable activity is looked for. Right now the market is quiet, with narrow fluctuations in prices.

Tobacco

Cigar Industry Coming Out of Slump

Tobacco has taken a long time in readjusting itself to a peace basis, but apparently it is coming around to stable conditions again. It has been hindered by high prices for its raw materials and an unwillingness on the part of the consuming public to pay high prices for the finished products. The price question was made even more difficult for the trade by the Federal tax on tobacco products, which had to be passed on to the consumer.

The trade reports increasing prosperity, in no way interfered with by the suppression of the saloons, which were formerly heavy customers. In Western states where prohibition has been enacted within recent months 75% of the used-to-be saloons remain in business as virtuous ice-cream parlors or distributors of "near-beer," but keep on their old lines of cigars and other tobacco products.

The embargo on Cuban tobacco which prevailed until a few weeks ago was a serious obstacle to the industry, particularly in Tampa and Key West. The trouble was over the strikes of the cigar-makers in Havana, who enlisted the shipping employees in a sympathetic strike with them. While the cigar-makers are still out, the shipping men are back at work, and Cuban tobacco is now freely supplied to American manufacturers.

Heavy buying by dealers is reported all over the country, in anticipation of the usual summer slump in production in the cigar industry. It is quite natural that with the mercury flirting with the top of the thermometer the cigar-makers will not be out to break any records for production. Current consumption is estimated to be about normal by this time.

Three Switches in New York Tractions

By BENJAMIN GRAHAM

Securities Selling Out of Line—Suggestions to Holders of Third Avenue Stock, Interboro Preferred, and Interboro Rapid Transit Fives

DISCREPANCIES—and hence opportunities—in securities originate most often when events move faster than quotations. The kaleidoscopic change in the New York traction situation since 1916 is an instance of this kind; for while all the issues have naturally suffered, the declines have been strangely uneven and the resulting relative prices decidedly illogical.

Let us consider first the peculiar situation in the stock and 5% adjustment bonds of the Third Avenue Ry. At this writing (June 21) the bonds are selling at 39½ and the stock at 25—a difference of 14½ points. The interest on the adjustment is a contingent charge—i. e. it is payable only if earned—and consequently no payment has been paid since October 1st, 1917. Nevertheless the interest charge is cumulative and all arrears must be paid up before the stock can be eligible for dividends. Now, as of July 1st, 1919, there is exactly 10% accumulated on the adjustment 5s, so that a year from now there will be either paid or accrued *a greater amount of interest than the present difference between the bonds and the stock.* Needless to say dividends on the stock are out of the question during this period, so that in effect the purchaser of the adjustments at their present level is getting a 5% income bond (equivalent to a cumulative preferred stock) at a net price lower than the non-dividend paying common.

To give the matter a concrete bearing let us take the case of an investor who has bought Third Avenue stock around 60 and is patiently waiting for the public utility muddle to right itself and his investment to return to its former level. Now three facts must be self-evident:

First, Third Avenue stock is not going to sell at 60 again unless dividends are resumed, or at least are in immediate prospect,

Second, There can be no thought of dividends until all accumulations on the adjustment 5s are discharged.

Third, This cannot happen for another year at least.

It follows therefore that present purchasers of the adjustment 5s must inevitably receive at least 15% in interest, before the stockholders can even think of getting a dividend. By selling the stock at 25 and buying the bonds around 40, the stockholder is really able to switch from the junior to the senior security *at the same price*. If traction conditions improve, it is evident that the adjustment 5s will reach 60 much sooner than the stock. The appended price record of the two issues shows that the average price of the bonds in more prosperous times was about 20 points higher than that of the stock.

TABLE I—PRICE RANGE OF THIRD ADJUSTMENT 5s AND STOCK

	Adjustments		Stock	
Year	High	Low	High	Low
1912	80¼	70	53⅛	33½
1913	79	63½	43⅜	27⅞
1914	74½	72	43¾	33
1915	82	75	64½	35
1916	84¾	75	68½	48
1917	73¼	27	48¾	14
1918	38⅞	27½	21¾	12¼
1919 to date	42½	25	25½	13⅛

The longer it takes for Third Avenue's prosperity to return, the more there is to be gained by changing from the stock into the bonds; since the claim for accrued interest will steadily grow larger. If matters turn for the worse and a receivership is necessary, the bondholders are of course in a far stronger position; since they are certain to retain their equity, while the stockholders would face elimination—or at best an assessment. Under the most favorable circumstances for the stock, the bondholders are sure to be receiving interest over a considerable period while nothing whatever is paid on the shares.

An Opportunity in Interboro Consolidated

The relation between Interborough-Metropolitan Collateral 4½s and Interborough Consolidated preferred stock is very similar to that of the Third Avenue issues. The respective prices are here 41 for the bonds and 29 for the stock. In this case the weakness of the shares lies not in the accumulation of prior charges, but in an actual *default.* The failure to pay the April 1st interest on the Inter-Met. 4½s gives the bondholders the right, through foreclosure sale, to take complete possession of the holding company's property (chiefly the stock of the operating company), and thus to wipe out altogether both the preferred and common issues of the Interboro Consolidated. This is precisely what was done in the bankruptcy of the old Rock Island Co., when the bondholders foreclosed on their collateral and eliminated the old stockholders.

TABLE II—PRICE RANGE OF INTER-MET. 4½s AND INTER-BORO CONSOLIDATED PREFERRED

	Inter-Met. 4½s		I.B.C. Pfd.	
Year	High	Low	High	Low
1915	79½	73¼	82	70
1916	76½	71½	77½	69
1917	73½	50	72¼	39½
1918	58⅝	38	47½	17¼
1919 to date	43¾	27	31¼	11⅛

The fact that IBC pfd. sells at 29 although threatened with utter extinction may be taken to indicate that such drastic action will be avoided, and the stockholders permitted to retain some equity in the reorganized company. Yet the plain facts are that the shareholders are entitled to no consideration whatever, and only the traditional helplessness and stupidity of the bondowners can prevent them from asserting their right to complete possession. The Interboro Consolidated stocks have represented nothing but water from the beginning, and the payment of preferred dividends in 1916-7 was in effect a crime against the bondholders.

In view of the danger of foreclosure, the difference of but 12 points between the bonds and preferred shares of the holding company appears ridiculously inadequate, and presents a wonderful opportunity to the stockholders to save more than they deserve from an unfortunate situation. For even if a bankruptcy sale is avoided and the relative position of the various securities remains substantially unchanged, dividends on the preferred shares are sure to be deferred for many years during which the bondowners will be receiving their interest.

Interborough 5s versus 7s

The numerous holders of Interboro Rapid Transit 5s have now an excellent opportunity to improve their position greatly from the standpoint of both security and yield, without in any way sacrificing the possibility of complete recovery of the original cost of their investment. This can be done by switching from the 5% bonds at 75 an equivalent amount of the Interboro Rapid Transit convertible secured 7% notes, due Sept. 1st, 1922, at 90. The 7% notes are secured by deposit of 15% of their face value in 5% bonds, and are therefore better protected proportionally than the Refunding 5s themselves. They are convertible into the 5% bonds at 87½ and can therefore share fully in any recovery of the bonds to their former levels.

To make the matter clearer, let us again consider the concrete case of an owner of say $8,000 I. R. T. 5s of 1966. It is clearly in his interest to sell these holdings at 75 and buy in their stead $7,000 par value of the 7% notes. He will have the right to exchange the seven notes back into the eight bonds he sold at any time before Sept. 1st, 1922. (Of course he would make the conversion only if the 5% bonds are selling above 87½; otherwise he would take par in cash for his notes and repurchase the bonds in the market.) It is true that he realizes only $6,000 for his bonds, while the notes will cost $6,300. But the annual interest on his new security would

TABLE III—PRICE RANGE OF INTERBORO RAPID TRANSIT 5s AND 7s

	I.R.T. 5s	I.R.T. 7s
1913	98⅞-98	....
1914	99¼-96	....
1915	99¾-96¼	....
1916	99¾-97½	....
1917	99⅝-76¼	....
1919 to date	75½-65	92 -83¼
1918	85 -69	99½-90

be $490 against $400 on the 5% bonds—a gain of about $200 by the maturity of the notes. Under the most favorable conditions for the bonds therefore, the maximum loss through making the exchange could not exceed $12.50 per bond.

But let us pass now to the other extreme and assume that the improvement in the traction situation is so long deferred as to necessitate default on these notes; either of interest or principal. The noteholder would then become entitled to receive $1,560 in 5% bonds for each $1,000 note: so that at 90 for the notes, the collateral, if distributed, would cost him only 57¾—or 16¼ less than what he can now obtain for his bonds. In the event of default it is evident that the gain through the proposed exchange would be very substantial.

But let us consider finally the third possibility—which lies midway between the other two, and in the writer's opinion appears most likely—namely, that default is avoided, but that the 5% bonds are slow to return to their pre-war levels. In other words, assume that on Sept. 1st, 1922 the 7% notes are paid off at par, but the bonds are selling about 80. The investor would then gain $700 on the cost of seven notes, whereas his eight bonds would be worth only $400 more than he sold them at. Moreover the $700 profit is *certain* if the company keeps out of receivership; while any advance in the bonds must depend on general market conditions.

To summarize: the exchange from the 5% bonds into the 7½ notes is clearly desirable because (1) under the most probable conditions it will show a considerable profit; (2) if bankruptcy should intervene—which is at least possible—the switch would prove extremely advantageous; and (3) under the most unfavorable conditions it can show only a very nominal loss. Surely a maximum cost of $12.50 per bond is a very small price to pay for the favored position held by the noteholders.

FUTURE OF OIL

A banker who has a broad view says: "I believe the oil boom is here to stay. Not only are increasing current demands for oil products keeping well up to the advance in production, but European stocks which were exhausted at the time the armistice was signed must be built up to former levels.

"The extent of this European demand is not wholly appreciated. It is estimated that Germany alone will require 1,100,000 tons of petroleum and petroleum products within the next twelve months. Other European countries are little better off in this respect. It will probably be a long time before production catches up with consumption, and the demand created by the necessity for building European surplus stocks up to former and normal levels.

"For this reason I believe active development of new oil fields should proceed vigorously and there is every reason to believe such a program can be followed out with success and profit.

"In this connection I am of the opinion that too much money has been made out of oil development by a few individuals and not enough by the general investing public. The public should be given an opportunity to share in the profits from development of oil lands, whereas the rule has been that the opportunity for big profits has come to only a few men of large capital resources.

"My opinion of a legitimate and equitable oil development is to secure well located leases in proven or partly proven territory after consultation with the most expert oil men and geologists that money can procure. Then reputable men of the highest standing should take an interest in this development and give the general public not only the benefit of their ability and business experience, but an opportunity to benefit from the discovery of oil, should development prove successful.

"Every mine and every oil development is in its initial stages a prospect. The public, if assured that men of ability and integrity are conducting the affairs of such a company, would gladly invest their funds in a development which, under these circumstances, would promise the most favorable outcome within the limitations of the situation."

The Story of Boston Elevated

By FRANK M. SIMMONS

BANKERS who are vainly striving to solve the street railway problems of New York and other cities are prone to direct wistful glances towards Boston. In the latter part of 1917, Boston Elevated stock, which at one time had sold as high as $190 a share, was down to $27. Receivership stared the road in the face. Its credit was gone. New wage demands were pending, and on the whole, the outlook was about as gloomy as it well could be.

Then came legislative relief in the form of a public control act. By a stroke of the Governor's pen Elevated stock was transformed into one of the best, if not the best street railway investments in the country. And the stock straightway jumped to $80 a share.

The troubles of this road can be traced back to the charter granted to it by the Massachusetts legislature of 1897. This charter contained a contract by which the Elevated was limited to a five-cent fare for 25 years, or until June 10, 1922. No matter how far out into suburban territory the company extended its lines, the 5-cent fare was still the maximum. All street railways know to their cost how expenses have risen in recent years, and Elevated was no exception. Finally the rising tide of expenses threatened to engulf the road completely and it was realized that only the legislature could save the property from receivership.

There were many unsuccessful attempts made to obtain remedial legislation before a bill was finally enacted, but on May 22, 1918, the Governor signed and made law "An Act to provide for the Public Operation of the Boston Elevated Railway Company."

Dividends Paid too Long

In order to appreciate the beneficial character of the act referred to, it is helpful to glance at the ten-year operating record of the road, which we give herewith. Elevated was normally a $6 stock. For years it paid dividends at this rate. But 1912 and 1913 on account of a strike of carmen, the dividends that were not earned in full and were in part paid out of the accumulated surplus. There is little doubt that dividends were maintained long after they should have been discontinued, in view of the needs of the property for working capital and equipment. But the stock was widely distributed among New England investors, including many trusts, and the management was actuated by a desire to keep up disbursements so long as there was the slightest ray of hope of a turn for the better.

Under the public control act dividends on Boston Elevated stocks ($3,000,000 preferred and $23,879,400 common at present outstanding) are absolutely guaranteed by the State of Massachusetts for a period of ten years dating from July 1, 1918. The rate of dividend is $5 a share for the first two years, $5.50 for the next two years and $6 for the remaining six years. The Commonwealth has the right to terminate public operation of the road at the expiration of the ten-year period or at any time thereafter, by appropriate legislation passed not less than two years before the date fixed for such termination.

The five public trustees are to serve for the ten-year period. They are empowered to charge whatever rate of fare is necesary to meet the cost of service, including dividends. Pending the time when the road becomes established on a self-supporting basis the State Treasurer must make good out of the state treasury any deficiencies, assessing the amounts proportionately upon the cities and towns served by the Elevated.

On Aug. 1, 1918, the trustees raised the rate of fare to seven cents. The immediate result was a loss in traffic. It speedily became apparent that a seven-cent fare was inadequate, but it was kept in force for four months, accompanied by a steadily accumulating deficit. On Dec. 1, the trustees again

advanced the fare to eight cents, but inasmuch as the cost of service had been regularly exceeding nine cents per passenger, the deficit continued to swell. The record stands as follows for the 11 full months of public operation down to May 31 (in round figures):

	Deficit
One month of 5-cent fare........	**$ 700,000**
Four months of 7-cent fare......	**2,400,000**
Six months of 8-cent fare......	**1,500,000**
Total 11 months' deficit	**$4,600,000**

Ten Cent Fare Probable

Now the road is on the eve of another increase in the fare, which competent critics believe cannot be less than a two-cent jump to a flat 10-cent charge if it is to be at all adequate. Then Boston will share with Pittsburgh, the rather doubtful distinction of being one of the only two populous centers in the country paying a ten-cent street carfare.

It takes about $1,400,000 a year to meet dividend requirements on Elevated 7% preferred stock and $5 a share on the common. In 11 months the deficit has exceed three times this sum, but the preferred stock has a good market above 93 and the common above 70. The answer is of course the State guaranty, concerning the validity of which there is not now the slightest vestige of doubt as the State Supreme Court has passed upon the entire act.

SUMMARY OF BOSTON ELEVATED INCOME ACCOUNTS
(Figures in Thousands)

	Op. Rev.	Oth. Inc.	To. Inc.	Op. Exp.	Taxes	Int. & rents. oth. chgs.	Bal. for stk.	% on stk.	% pd.
1909(d)	$14,346	$146	$14,493	$9,488	$1,063	$3,100	$841	6.25	6
1910(c)	11,237	282	11,519	7,321	916	2,373	908	4.55	4½
1911(b)	15,635	344	15,980	10,119	1,244	3,266	1,350	6.76	6
1912(b)	15,904	618	16,522	10,976	1,221	3,618	705	3.53	6
1913(b)	16,808	159	16,968	11,135	1,128	4,004	700	2.93	6
1914(b)	17,629	156	17,785	11,297	1,040	4,190	1,257	5.26	5
1915(b)	17,798	87	17,886	11,287	1,069	4,205	1,324	5.54	5½
1916(b)	18,686	94	18,781	12,079	1,043	4,454	1,203	5.04	5
1916(a)	9,797	43	9,841	6,630	534	2,269	407	1.70	3
1917	19,733	84	19,818	13,547	884	4,669	717	3.00	3½
1918	20,976	85	21,062	17,996	917	5,135	*2,986	......	‡

* Deficit. ‡ $204 1/6 per sh. pd. on $3,000,000 pfd. stk. and $2.50 per sh. on com. stk. under special acts of 1918.

(a) 6 mos. to Dec. 31. (b) year to June 30

(c) 9 mos. to June 30. (d) year to Sept. 30.

Influence of Subways

It has been truly said that the Boston Elevated was in danger of being subway-ed to death. The permanent investment on Sept. 30, 1897, when the Elevated assumed the operation of the system was $25,291,913, or $2.90 for each dollar of gross income. On June 30, 1916, the permanent investment amounted to $116,022,060, or $6.10 per dollar of gross. Of course, the expansion in gross through increased fares has since partly corrected the disproportion, and at the present time on a $130,000,000 investment and annual gross of about $30,000,000 the investment per dollar of gross is about $4.30.

A question which very naturally arises in the mind of the investor is: What will be the status of Boston Elevated after the expiration of ten years? In the first place, it should be remembered, that the State guaranty and control does not automatically terminate at the end of ten years. Rather will it continue along indefinitely until the legislature has taken positive action looking to its termination at least two years before the date fixed.

The State guaranty feature of course would then automatically disappear, but it is obvious that power to charge any necessary fare on a system the bulk of whose traffic is of an essential character is in itself a practical guaranty of dividends.

Bargain Indicator of Public Utilities

NOTE—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. A poor stock may sometimes stand up well in this table because its price is low compared with latest available earnings.

INTENDING PURCHASERS should read all notes carefully and consult "Financial News and Comment." We gladly answer all inquiries of yearly subscribers.

	High 1916	Low to Date	Present Div. Rate	Yield on Recent Price	Dollars Earned Per Share 1915	1916	1917	1918	Recent Price	Earnings Last Fisc. Year on Recent Price	
Rep. Ry. & Lt. com.	...	...	0%	0.00	2.97	3.55	5.88	0.00	20	26.72	Increase in earnings.
Brooklyn Rapid Transit	89	18⅞	0	0.00	7.40	7.53	6.97	5.52	27	26.28	Position in doubt.
Ohio Cities Gas	144	31⅞	4	7.00	1.92	2.30	8.70	26.27	57	20.71	Dividend reduced. Growing equities.
Amer. Pub. Util., com.	...	...	0	0.00	3.83	5.35	7.18	3.86	20	19.30	Results much better.
Am. W. W. & El., 1st pfd.	...	...	7	11.01	9.57	10.18	12.96	10.73	63	16.77	Showing up well.
Detroit United Railway	128⅛	80	8	7.48	15.59	23.05	14.50	12.96	103	14.08	Earnings increasing.
Columbia Gas & Elec.	54	25⅞	4	6.90	.76	2.31	5.87	6.40	58	13.91	Oil properties increase earning capacity.
United Ry. Inv. pfd.	39¼	10⅜	0	0.00	3.06	3.54	4.46	3.38	28	11.20	Important developments.
Phila. Co., com.	47¾	21⅛	3	7.70	4.44	5.14	6.22	4.26	39	10.43	New financing
Brooklyn Edison	131	87	8	7.90	11.66	11.88	8.81	9.28	101	8.90	Showing up well.
North American Co.	76	39	5	8.47	6.06	7.26	6.05	5.38	59	10.35	Conditions improve.
Mackay Co., com.	91	70	6	7.50	5.28	5.36	6.35	5.87	80	8.04	Wires to be returned.
Detroit Edison	149	98	8	6.55	13.70	14.61	10.28	9.08	122	8.03	Company well fortified.
Laclede Gas Lt., com.	104	80	0	0.00	9.24	11.21	8.58	4.53	69	6.56	Dividend passed.
Am. Lt. & Trac., com.	...	...	†10	3.57	24.62	25.66	20.98	14.43	201	5.92	Company well fortified.
Twin City Rapid Transit, com.	90	39⅜	0	0.00	6.83	9.22	6.04	2.19	57	4.97	Earnings improved.
Comm. Pr. Ry. & Lt., com.	...	...	0	0.00	7.42	8.80	5.77	—0.67	28	0.00	Earnings increase.
Third Ave. Ry., com.	68½	12⅜	0	0.00	4.19	5.98	—9.78	—2.06	24	0.00	Doing better.
People's Gas Lt. & Coke	118	35	0	0.00	8.39	5.39	4.44	—3.55	52	0.00	Operations still expensive.
Montana Power, com.	115	64	5	6.50	3.73	8.52	7.08	6.19	77	8.72	Larger earnings.
So. Cal. Edison, com.	89	73	7	7.87	6.79	8.61	5.05	7.55	89	5.61	Earnings hold well.
Cities Service, com.	362	100⅜	§6	1.57	36.74	60.73	61.67	.....	381	17.28	Excellent oil returns.
Pacific Gas & Elec., com.	69	28¾	5	7.60	10.48	9.10	5.57	5.20	66	9.77	Future bright.
Standard Gas & Elec., pfd.	...	...	‡8	8.33	3.15	3.60	3.70	6.70	48	7.55	Schaeffer Oil merger completed.
Northern States Power, com.	...	...	0	0.00	3.22	5.91	2.11	0.00	74	2.98	Common dividend passed.

1918 EARNINGS NOT REPORTED

	High 1916	Low to Date	Present Div. Rate	Yield on Recent Price	Dollars Earned Per Share 1914	1915	1916	1917	Recent Price	Earnings Last Fisc. Year on Recent Price	
United Light & Ry., com.	...	...	4	7.83	3.74	2.41	4.41	8.68	51	21.70	Prospects good.
Western Union Telegraph	105½	76	7	7.79	5.38	10.19	13.59	14.40	90	16.74	Wires to be returned.
Amer. Tel. & Tel.	124½	90⅝	8	7.60	9.38	9.09	9.61	9.65	105	9.46	Wires to be returned.
Pub. Serv. Corp., N. J.	137	82	6	7.00	6.50	7.88	11.77	7.92	86	9.43	New financing.
Amer. Power & Light, com.	...	...	4	5.32	5.24	4.21	6.37	4.57	75	7.88	Showing up well.
Pac. Tel. & Tel., com.	44	17	0	0.00	1.89	0.56	1.25	1.79	27	7.16	To be returned to private ownership.
Cons. Gas of N. Y.	145	76½	7	7.00	8.40	9.29	8.99	7.14	100	7.14	Hidden equities.

§Also pays regular monthly stock dividend of 1%. ‡Par $50.
†Also pays 2½% in common stock quarterly.

Silver-Lined Investments

By VICTOR DE VILLIERS

Relative Importance of Leading Companies as Producers of Silver—American Smelting, U. S. Smelting, Anaconda, and Other Beneficiaries

WHILE it cannot be denied that sustained high prices for silver will be a great help to the majority of the leading producers, it is highly probable that speculative enthusiasm rather than analytical judgment will guide the course of prices for their securities. Hysteria will undoubtedly be injected into any buoyant market for the silver group, and the public may be depended upon to advance prices beyond immediate investment worth when the time is ripe.

Very hazy notions exist generally as to what constitutes the silver group, which are true "silvers," which are part of the copper-silver or silver-lead group, which are "commercial propositions," or which are entirely misnomers. Butte Copper & Zinc is not a copper property, Anaconda Copper is mostly an industrial enterprise, while American Smelting & Refining handles more silver than any other six silver mines in the two Americas.

A further misconception is the fabulous profits conjured up in the mind of the average layman who thinks in terms of "above-a-dollar silver" only, while overlooking the question of capitalization, and a string of other factors which cut wide swaths in *net profits per share*. The calculation in Table I of the estimated benefits that some representative producers may expect under a high silver regime, is deserving of some study.

It will be seen that the greatest beneficiary is American Smelting to the extent of nearly $12 a share annually, while the extra profits of the mammoth Utah Copper Company are almost negligible. Anaconda does not make such a remarkable showing as is generally supposed, although it owns the famous Alice mine, which, according to general belief, should have yielded profits upon a bonanza scale. U. S. Smelting, with an estimated additional earning power of $4.36 a share, has been recognized marketwise by an advance of about thirty points, from about 40 to 70, due largely to the strong assurance that its 5 per cent dividend is safe for the present, and will probably be increased to 6 per cent.

The "Laggard" Silvers

A good deal has been written and said about the supposed tardiness of the silvers to join the upward movement of the market in recent months, and predictions are freely made that they will not only move, but also boom shortly. All of which is both right and wrong.

TABLE I—IMPORTANT SILVER-PRODUCING COMPANIES

	1918 Production (oz.)	Earn Under 10c Inc.	Inc. per Share
Amer. Smelting	*72,572	*$7,257	$11.90
Anaconda	10,967	1,096	.47
Butte & Superior	2,970	297	1.02
Calumet & Arizona	1,133	113	.17
Greene-Cananea	1,699	169	.34
Kerr Lake	2,582	258	.43
Nipissing	3,701	370	.31
North Butte	891	89	.21
U. S. Smelt. Com	15,337	1,533	4.36
Utah Copper	489	48	.03

*000 omitted.

The silvers have already moved, are moving, and will continue to move. Likewise the metal group is living up to its traditions in creeping up slowly but surely in the vanguard—"last to go up and last to go down." Finally, it is the writer's strong belief that the silvers are in the incipient stages of a boom, exhibiting the same erratic but advancing tendency as was present in the commencement of the oil boom. In the latter case it will be recalled how Mexican Petroleum started the ball rolling when it struggled through par after innumerable false starts, climbed to 110 and over, and in spite of dire prophecies (and miscellaneous "short selling") to the contrary, soared majestically to around 200. The same thing happened in Texas Company,

Royal Dutch, Pan-American, Prairie Oil & Gas and others.

The writer advances the theory that, just as a large number of clever market observers were misled by the apparent "irregularity" of the oils, and missed the incipient signs of a boom, notice should now be taken of the apparent absorption for investment account and consequent—but irregular—advances in stocks like Cerro de Pasco, American Smelting, U. S. Smelting, Greene-Cananea and other copper-silvers and allied groups. Some examples in Table II of extreme advances

TABLE II—RISE IN SILVER

	App. High 1918-19	App. Low 1918-19	Present Price
Anaconda	75	59	73
American Smelting	94	62	83
Butte & Superior	33	16	28
Calumet & Arizona	70	57	68
Cerro de Pasco	67	30	67
Greene-Cananea	58	39	43
Federal Smelting	20	9	14
U. S. Smelting	70	36	68
Magma	42	23	36

over low prices that formerly prevailed strengthen my belief that the silver boom has arrived unheralded, and that the silvers have not been laggard, even if some of them have not been ostentatious.

It may be that in many cases like the U. S. Smelting, Cerro de Pasco and Butte & Superior the readjustment to better conditions has partly or wholly taken place, considered purely from the investment viewpoint. One cannot, however, measure speculative probabilities, which may be guided by special operations, by investment analyses. The strongest inference that can be drawn is that there will be a general readjustment sooner or later and that the issues which have advanced the least in proportion to their price and investment character are in the strongest technical position, and may be expected to show further advances before a general setback occurs in the entire market. Even if such issues make a relatively poor showing in the next upward swing, they will bear close watching when the time comes.

Specific cases of this kind are: Anaconda, American Smelting, Calumet & Arizona, and Magma, which appeal to the writer as the least exploited securities that loom large upon the horizon as possessing intrinsic worth well above average prevailing quotations, and stand to benefit directly and indirectly by sustained good prices for the white metal.

In specially mentioning these issues, I am guided largely by investment and not speculative considerations. Excellent judges are of the opinion that, at this writing, the market in general is in an overbought and overbulled position, and this suggests a policy of caution in purchasing even "the best of them."

When bargain days come, as they surely will, the writer believes that this discussion of the silver group will be found a handy guide to investments in that group.

Table III will probably occasion some surprise to those unfamiliar with silver securities. The real silver-fields of Northern America are at Tonopah and Cobalt. Colorado and Arizona were large

TABLE III—SILVER PRODUCTION OF REPRESENTATIVE PRODUCERS

(In ounces)

	1917	1918
American Smelting	69,841,061	72,572,506
U. S. Smelting	13,000,187	15,337,465
Anaconda	8,368,180	10,967,905
Butte & Superior	2,679,462	2,970,003
Nipissing	4,682,293	3,701,416
Calumet & Arizona	1,257,081	1,133,801
Tonopah Belmont	2,629,465	1,946,757
Tonopah Extension	1,296,999	1,473,007
Kerr Lake	2,611,614	2,503,619
Hecla	1,366,960	1,590,062
Howe Sound	......	3,500,000

producers in the years gone by, and the records of Silver Queen (Magma) and Silver King of Arizona in the latter state are generally known, and it is believed that these states are "coming back." Nevada is looked upon as the coming provider of the white metal so far as the U. S. A. is concerned, with Montana, Utah and Idaho not far behind, the last two named being rich in silver-lead ores from which pure silver is derived as a by-product. Mexico is, of course, an unexplored treasure-house, although it broke the record of the United States in 1911, when its silver production was 79,000,000

ounces, as compared with 60,000,000 for this country.

American Smelting

American Smelting with its twenty-five mines in seven states of Mexico, stands at the head of the list with its production of over 70,000,000 ounces of silver annually for the past three years. "Smelter's" securities represent ownership in the greatest metallurgical enterprise in the world, and in the business of mining, producing, smelting, refining, buying and selling, copper, silver, spelter and a host of other metals and minerals, and even chemicals. The company produced 87,000,000 pounds of sulphuric acid last year, and its lead, zinc, and copper smelters and refineries are scattered throughout the two Americas, including distant points in Mexico and Chile. With an annual average of about $14¾ earned during the past eight years, and an estimated extra boost of nearly $12 a share which the company will derive from dollar-silver, no fear surrounds the present small dividend of $4.

"Smelters" must be piling up huge equities on top of the estimated $144 a share tangible asset value of the common stock at last appraisal, and this will undoubtedly influence its next upward movement in the market. While an increase in the dividend seems very unlikely this year, it would not surprise me to see a generous distribution next year out of its new-found silver prosperity, and also impending developments in Mexico. American Smelting should be judged by its untold possibilities for future development, and an investment is largely an expression of confidence in the success of American enterprise as a whole.

Anaconda

Originally the leading pawn of the greatest "promotion" in American history, Anaconda, is no longer identified with the stormy days of its famous predecessor, Amalgamated Copper. It has steadily passed into investment hands as one of the best rated metal investments in the copper-silver group, and seems destined to remain there and retain its leadership.

Although Anaconda derives a large percentage of its 10,000,000 ounces of silver annually out of copper mining, it has the distinction of owning one of the richest silver properties known to mining—the Alice mine. It also controls the International Smelting Company, which had a separate production record of around 5,000,000 ounces of silver annually. Yet its silver production may almost be considered a side line as compared with its output of copper, lumber, coal, manganese, and its general position as a holding corporation in a dozen other diversified enterprises.

Like "Smelters" Anaconda also reduced its dividend to $4 and this dividend is likely to stay for some time. The significant feature of the company's status, however, which investors "for keeps" might do well to remember, is that Anaconda has made good hay while the sun was shining in a financial way, in the years 1914-1918. Its surplus in five short years has jumped from under $8,000,000 to over $66,000,000, after charging off $18,000,000. This has been accomplished largely out of earnings and with no increase in its capital stock which has stood at $116,562,500 during the same period.

The only financing recently was the issue of $25,000,000 in 6% ten-year bonds to develop its South American properties, and release for earnings amounts previously spent there for development. Such released amounts will probably be available for future dividends, and further development under Anaconda's guidance can hardly fail to be profitable.

U. S. Smelting

The shares of this company have distinguished themselves by a hurried readjustment to the bullish prospects brought about by high silver prices. The shares had gotten into a rut around 40, and the spetacular advances of many points daily until a 30 point rise was registered seemed to me like urgent reminders that U. S. Smelting has "turned the corner." This has probably occurred, and the company is likely to be a substantial beneficiary by the new order of things.

The company is one of the leading silver producers, and also turns out significant quantities of copper, lead, zinc and coal. It marketed its silver at an average

of 97 cents an ounce last year, compared with 81¾ cents in 1917. Previous selling prices ranged between 50 and 65 cents, and one cannot wonder that the market views $1 and over for U. S. Smelting's silver output with enthusiasm. But I am not so sure that with a par value of $50 and a market price of 67, the advance has not been overdone temporarily. The dividend of $5 a share looks quite safe, and this amount has been maintained for over two years. A sizeable reaction would strengthen the technical position, and at substantially lower levels the stock would look quite attractive as a high-yield semi-investment.

Some Other Beneficiaries

Calumet & Arizona is developing the mammoth New Cornelia property, which, although expensive in the early stages, is likely to develop into one of the lowest-cost propositions known to copper mining. In this instance it is a case of "casting bread upon the waters." C. & A. is not a very large silver producer, nor does it own silver mines, but the ore bodies of its mines are rich in the white metal, and its silver production is apparently pegged around 1,250,000 ounces yearly on the average. The writer believes that the company will ultimately turn out not less than 2,000,000 ounces, and this fact, together with its importance in the copper group, makes the shares attractive, although the dividend of $2 does not look tempting. Its policy is probably ultra conservative and the shares should work into the $5-$7 dividend class sooner or later.

Magma Copper was so recently discussed by The Magazine of Wall Street (June 7th issue) that no extended reference is necessary. It will be seen that its ores are rich in silver, both in its copper-sulphides and lead-zinc ores. Copper-sulphide reserves of 235,000 tons average 4.2 ounces silver per ton, while the lead-zinc reserves of about 20,000 tons average 12 ounces silver per ton. These high silver values are not surprising when it is recalled that Magma started its career as a great silver mine. I am not informed whether or not earlier workings have been re-explored in order to work over some of the rich pickings which the old-timers probably discarded in their crude methods of mining for silver. The method is explained on page 331 of our June 7th issue (Silver King of Arizona).

In the early stages of development as a copper-silver proposition, Magma will come into some unexpected "velvet" in the way of extra profits on high silver. Mining—especially initial development work—is very expensive, and stockholders should wish earnestly that silver stays where it is, or higher. The extra profit accruing to them might not be returned in dividends now or in the future, but it will add to the already large equities behind the shares. Magma will come into its own eventually and dear silver strengthens this conviction.

Cerro de Pasco has made up for a long period of market torpidity by registering a spectacular advance of over 30 points within a few months, almost doubling its previous low quotations. Located in Peru, "discovered" and Americanized by the late J. B. Haggin, Cerro was not largely known to local investors, particularly as a silver producer. Silver was discovered at Cerro around 1630, and production has totalled well above 450,000,000 ounces from 40,000,000 tons of silver-copper ores, mined by the crudest of methods. Through lack of transportation from the mountain top (14,300 feet above sea level) only the choicest and richest of the silver and copper ores were formerly shipped.

No separate figures of silver production are given in the reports, but it is known that the Cerro ores run high in silver content, all the way from 100 ounces to the ton upward. The property has been one of the most expensive to develop, and around $30,000,000 will have been sunk on development by the time its new smelter is completed, when it is hoped that production will be doubled. Cerro de Pasco is going to be a low cost producer eventually, and the anticipated releasing of steamships for the South American trade will give adequate and cheap transportation.

These are some of the reasons why the stock had such a large advance. The shares have always sold too low and some readjustment was bound to come. Perhaps if the shares decline with the rest of the market, the bright possibilities may again be looked into.

Expansion Is Sapulpa Keynote

Company Soon Expects to Increase Stock from $2,000,000 to $10,000,000—Plans Attractive Offer to Stockholders—Possibility of Lower Price Shares Later on

By FREDERICK LEWIS

SAPULPA REFINING CO., since its incorporation in 1915, has steadily expanded its business. For the year 1916 sales totaled $2,503,414, and in 1918 this had increased to $5,638,366.

TABLE I—SAPULPA REFINING INCOME ACCOUNTS
(Years ended December 31)

	1916	1917	1918
Sales	$2,503,414	$5,177,944	$5,638,366
Cost of Sales etc.	2,006,045	4,314,490	4,860,902
Op. Income	497,369	863,454	777,464
Interest, Discounts, etc.	77,454	99,887	150,686
Deprec. and Taxes	30,000	382,585	*400,450
Net Inc.	389,915	381,782	226,328
Divs. Paid	161,300	330,000	323,500
Surplus for Year	228,615	51,782	†97,172

*Includes $46,330 reserved for Federal Income and Excess Profits Taxes. †Deficit.

Starting with a refinery at Sapulpa, Okla., the company has in the past two years gone rather extensively into the production end of the oil business and now has several properties that have developed a daily output of close to a thousand barrels a day.

Late in 1917 the company acquired the capital stocks of the Leon Oil Co. and the Petrol Oil Co. of Oklahoma, holding leases of 7,500 acres in Oklahoma and Kansas with a production of 400 barrels a day.

The company's refinery has a capacity of 9,000 barrels a day. There are two pipe lines, one connected with the Glen Pool and the other with the Cushing field. The equipment includes 442 tank cars owned and 141 leased. Recent construction includes a $50,000 gasoline plant and a pipe line from the Shamrock field to the refinery at Sapulpa.

Increase in Capitalization

Of course the company's program of rapid expansion has necessitated the expenditure of a considerable amount of money, most of which was raised by the issuance of more stock.

In February, 1917, the capital stock was increased from $1,000,000 (par $5) to $2,000,000, half of the new stock, $500,000, being offered to stockholders at $9 a share. In March, 1918, $275,000 stock was offered to stockholders at $8 a share. At the present time $2,000,000 of stock is outstanding.

That the company has by no means completed its policy of improvements and expansion is indicated by the fact that the management now plans to increase the capital stock of the company from $2,000,000 to $10,000,000. On June 30, a special meeting of stockholders will be held to vote on this proposed increase. As the larger interests in the company are in favor of the increase, it will probably go through, even though, under the laws of Oklahoma, two-thirds of the stock will have to be represented at the

TABLE II—SAPULPA REFINING BALANCE SHEETS

	1916	1917	1918
Assets:			
Plant Prop'y.	$1,979,709	$2,180,710	$2,643,713
Cur. Assets	679,681	1,115,119	1,129,235
Def'd Assets.	......	77,704	61,748
Contingent Assets		165,910	2,914
T'l Assets	$2,659,390	$4,108,943	$3,837,610
Liabilities:			
Capital Stock	$1,000,000	$1,725,000	$2,000,000
Equip. Trust Notes	357,702	243,468	223,000
Cur. Liabilities	954,888	1,062,608	874,178
Reserves, etc.	37,317	372,805	21,882
Profit & Loss Surplus	309,483	705,062	718,549
T'l Liabil.	$2,659,390	$4,108,943	$3,837,610

meeting before the increase can be made effective.

Vice-president and General Manager Henry M. Rathvon has the following to say in regard to the future plans of the company: "The directors and officers of the company have decided on a plan of development that contemplates, among other things, additional pipe lines for transporting oil to the refinery, a drilling campaign to procure a larger supply of our own crude, and the erection of a wax and lubricating plant.

Competition in the oil industry is becoming so keen that in a few years the refinery that is not equipped with every facility for extracting the last cent of profit from a barrel of oil will be unable to compete with the more efficient plants."

What effect this proposed increase in capitalization will have on the value of the stock it is, of course, impossible to say with any degree of certainty. So much depends on how successful the management is in making this new money produce greater results.

TABLE III—SAPULPA REFINING DIVIDEND RECORD

1915	$.07½	1917	$1.20
1916	.82½	1918	.85

Looking backward, we find that the increase that has already taken place in the capitalization of the company has tended to decrease the value of the stock and has also obliged the company to be somewhat more conservative in the matter of dividends. In 1917, for example, no less than $1.20 was paid out in dividends, whereas the rate at the present time is only 50 cents per annum. See Table III.

In 1918 Sapulpa Refining paid 85 cents in dividends, which was somewhat more than the company earned in that year, but very liberal amounts were charged off for depreciation. See Table I.

In 1917 nearly all of the company's net income was paid out in dividends, but in this year also depreciation charges were heavy. The company's dividend policy, therefore, while decidedly liberal, should not be regarded as having been too radical.

Position of Stock

The capital stock of the Sapulpa Refining Co. was originally $750,000, of which $400,000 was common stock and $350,000 preferred. In January, 1916, the amount of common stock was increased to $1,000,000, and the preferred, which was 10% cumulative, was converted into the common. The company had outstanding at that time $200,000 first mortgage 6% bonds due in 1916 and in 1920, which were paid off out of the proceeds of the sale of 50,000 shares of common, which was taken by stockholders at $9.

At present prices of around $8, Sapulpa Refining stock would appear to be selling high enough when the fact is taken into consideration that in a period of unusual prosperity for oil companies, 1918, the company's net income fell considerably under the net income reported for the year 1917.

The new stock which the company evidently plans to sell shortly will probably be offered to stockholders at an attractive figure so that the "rights" will be of value. The writer is inclined to the opinion, however, that the opportunity may be presented in the near future to purchase the stock at somewhat lower prices than it commands at the present time.

Dividends in the current year are being paid at the rate of 50 cents per share per annum.

AVERAGE OIL PRODUCTION AND FIGURES

THE great hazard of oil producing is shown by the fact that average daily production of the 225,000 producing wells in this country is only about four and one-half barrels a well. The cost of drilling some of these wells runs as high as $80,000 to $100,000.

The low average of production per well is due largely to the fact that thousands of wells in the older fields produce less than one-quarter of a barrel daily, while something like four-fifths of the total number do not yield over a barrel each.

In the oldest oil fields of the United States, those of the Appalachian region, over 100,000 in number, yield an average of less than two-thirds of a barrel a day. On March 15, 1918, the 20 wells in Mexico, unrestrained, were estimated to be able to yield over 600,000 barrels daily, an average of 30,000 barrels a day for each well.

Financial Leaders of To-morrow

C. S. Jennison

There are many men—not only in New York but also in other parts of the United States—who perhaps are not yet nationally known but who are quietly carving out a big career for themselves. Five or ten years from now friends will say of them—"I knew Brown when he was only so-and-so. Now see the prominent position he occupies." Men of this calibre are beginning to have their names mentioned in high circles more and more frequently and THE MAGAZINE OF WALL STREET is presenting this series of sketches of their careers which should be a source of inspiration to those other young men who are determined to have their share of the prosperous period into which our country has entered.

A FEW days ago the following brief announcement was made to the financial and business world of New York:

"Gen. George W. Goethals announces that Mr. C. S. Jennison has been elected Vice President and a Director of George W. Goethals & Company, Incorporated."

Those who knew of the demonstrated ability of Mr. Jennison were not exactly surprised to hear of his promotion, as they realized it came as a well deserved reward for duties well performed and proved another example of the old saw that "ability will tell."

Mr. Jennison was born in Vermont, thirty-seven years ago and after going through the usual preparatory schools, went West and entered the University of Chicago, through which he worked his way and received a Bachelor of Arts degree with the added distinction of having been elected President of his class. He also went in for law at the same university and received his LL.B. degree.

His first job after leaving college was that of a young and hopeful law clerk at the munificent weekly salary of "ten per," but realizing the important relation of law to finance, he joined a well-known banking organization in Chicago and soon worked his way up to the responsible position of trust officer.

Back in 1912 the real turning point came in his career. His ability to think clearly and his keen grasp of financial problems attracted the attention of powerful interests, and when a prominent French banking group was looking around for some one to represent them in a railroad reorganization in this country, Mr. Jennison was selected as the man for this important work. Having discharged his first assignment in a highly satisfactory manner, Mr. Jennison's services were retained in a similar capacity on additional work of this nature until 1914, when he became associated with Col. W. B. Thompson, remaining with him until 1918.

By this time, his reputation had become so well and favorably known that when General Goethals, builder of the Panama Canal, formed the New York firm of Geo. Goethals & Company to handle engineering and industrial problems, we find Jennison actively identified with the new enterprise in charge of financing and reorganization work.

Here again he made a record for himself, and just recently received his reward in being elected to the office of vice-president and director.

In addition to the somewhat strenuous and diversified duties of his present position, Mr. Jennison also serves as director in various other important industrial enterprises, but is never too busy for an argument whenever an innocent person claims there isn't any fancy Guernsey stock in this part of the country. Jennison can prove his side of the case, too, as he has a farm at Swanton, Vermont, where he can show a flock of blue-blooded registered Guernseys with pedigrees that would make an Abyssinian noble jealous.

C. S. JENNISON

Mr. Jennison is married and has a family of three children, two boys and one girl. He is a member of the Indian Harbor Yacht Club of Greenwich, Conn., the Lawyers, the Pelham Country, the Gymnic and the University Club of Chicago; but his principal recreation outside of business hours is "at home with the family," except when he is playing squash or is boxing at the Gymnic Club.

COMPARATIVE RATINGS OF OIL STOCKS

Based on the Earnings and Assets of the Companies, Dividend Prospects, Capitalization, Management, Etc.

FIRST SERIES—THE STANDARD OIL GROUP

Name	Par	Capital	Last Reported or Est'd Surplus	Approx. Annual Dividend	Approx. Price	3 Yr. Av. Low	3 Yr. Av. High	Net Rating	Remarks
Anglo-Am. Oil Co..	£ 1	£ 3,000,000	£ 1,367,335	*$1.42½	24½	15	25	A	Earning 50 to 60 per cent.
Atlantic Refin. Co.	$100	$5,000,000	$50,952,881	20	1375	700	1400	A	Recapitalization coming.
Borne-Scrymser Co.	100	200,000	......	20	490	400	500	A	Strongly fortified.
Buckeye P. L. Co.	50	10,000,000	9,826,355	8	102	80	110	B	Leading pipe line company.
Chesebrough Mfg. Co.	100	1,500,000	......	14	295	290	450	A	Gilt edge investment.
Contin'l Oil Co..	100	3,000,000	......	12	585	400	700	B	Prodg.-Refining-Marketing.
Crescent P. L. Co.	50	3,000,000	7,446	6	35	35	40	C	Outlook uncertain.
Cumb'l'd P. L. Co.	100	1,500,000	384,063	..	195	125	200	B	Earnings improving.
Eureka P. L. Co.	100	5,000,000	4,214,480	16	170	175	230	B	Earnings Downward
Gal.-Sig. Oil Co. old Pfd.	100	2,000,000	......	8	120	125	140	A	Very strong issue.
Gal.-Sig. Oil Co. new Pfd.	100	6,000,000	......	8	115	100	115	A	Attractive investment.
Gal.-Sig. Oil Co. Com	100	16,000,000	240,858	Div. psd.	110	90	190	B	Large expansion program.
Illinois P. L. Co..	100	20,000,000	692,128	16	187	140	200	B	Wyoming prospects big.
Indiana P. L. Co..	50	5,000,000	2,827,462	20 (est.)	100	90	105	B	Consistent earner.
Int. Pet. Co., Ltd.	£1	£1,251,525	905,615	Uncertain	30	12	30	B	South Am. Rept. of Group.
Nat'l Transit Co.	$12.50	$6,362,500	4,275,446	2	22	15	25	B	Prosperous: owns val. subsy.

N. Y. Transit Co.	100	5,000,000	5,913,863	16	185	180	240	B	Book value $218.
Northern P. L. Co.	100	4,000,000	874,882	10	113	95	115	B	Connected with Buckeye.
Penn-Mex Fuel Co.	25	10,000,000	560,648	..	73	40	70	B	3rd Largest Mex. Producer.
Ohio Oil Co......	25	15,000,000	63,839,643	24	373	300	400	A	Recapitalization coming.
Prairie O. & G. Co.	100	18,000,000	70,443,441	†12	740	400	800	A	Ranger Prodn. 14,000 bbls. daily
Prairie Pipe L. Co.	100	27,000,000	15,162,607	12	290	230	325	B	Valuable Southern Traffic.
Solar Refining Co.	100	2,000,000	3,361,999	20	370	280	400	B	Strong Growing Co.
So. Pipe Line Co.	100	10,000,000	2,594,694	20	170	170	200	B	Consistent earner.
So. Penn Oil Co..	100	20,000,000	6,997,129	20	325	275	550	A	¶Controls Penn.-Mex.
S. W. Penn Lines.	100	3,500,000	843,611	12	108	95	110	C	Earnings downward.
Stand. Oil Co., Cal.	100	100,000,000	17,810,634	12½	272	225	400	B	Dominates Cal. Prodn.
Stand. Oil Co., Ind.	100	30,000,000	16,509,465	24	775	500	850	A	Cyclic Co.—Big possibilities.
Stand. Oil Co., Kan.	100	2,000,000	4,295,556	24	600	400	650	B	Refg.: Prodg.: Transptg.
Stand. Oil Co., Ken.	100	6,000,000	2,834,607	12	445	300	800	A	Marketing Concern.
Stand. Oil Co., Neb.	100	1,000,000	Unknown	20	540	350	600	B	§Marketing Concern.
Stand. Oil Co., N. J.	100	98,338,382	400,000,000	20	717	475	800	A1	Earning 50-75 per cent.
Stand. Oil Co., N. Y.	100	75,000,000	110,028,633	16	372	250	375	A	Great Industrial Corp.
Stand. Oil Col, Ohio	100	7,000,000	12,507,184	16	510	350	530	A	Controls Ohio Gasoline Bus.
Swan & Finch Co.	100	1,000,000	589,088	5	95	90	125	B	Peace Business large.
Union Tank L. Co.	100	12,000,000	6,116,797	6	133	90	130	B	Recapitalization Coming.
Vacuum Oil Co...	100	15,000,000	40,134,940	10	*440	325	475	A	Book value $400.
Wash. Oil Co....	10	100,000	62,975	4	45	30	45	B	West Penn Producer.

*30% †Extra $8. ¶Recapitalization coming. §3rd Largest Mexican Producer.

Ratings in this group have been assigned upon the basis of a large number of factors, which are taken into consideration as we go to press. Commitments should not be entered into solely upon the basis of ratings, which are merely intended to guide the investor as to the status of the particular securities discussed.

EXPLANATION OF RATINGS

The majority, if not all, securities in the Standard Oil Group are in the investment class. Since "Standard Oil" never takes chances and only owns properties of proven merit, the shares of its subsidiaries all have proven worth. Some are better than others, and to the highest grade we have assigned the rating "A1" to which we have relegated only the leading issue—Standard Oil of New Jersey.

The rating "A" places the security among the high-grades. "B" represents a business-man's investment, while "C" must be considered a specvestment for profit.

Market prices, estimated surpluses, and current dividends are all approximate: but the information is taken from the best sources available.

Standard Oil shares have their principal market on the N. Y. Curb but a large number of transactions take place "over the counter." It is often possible to secure closer quotations by buying or selling in the latter market, and dealings should only be had with reliable houses—preferably specialists in the Standard Oil group of securities.

Outlook for Three War Brides

By JOHN MORROW

Not Possible to Estimate Submarine Boat Profits Now—Wright-Martin Has Interesting Possibilities—Fair Measure of Success in Curtiss Operations

IN the hey-day of the war markets, both before and after this country entered the conflict, three of the popular speculative favorites were Sub-Marine Boats, Wright-Martin and Curtiss Aeroplane. Their stocks traded in upon the New York Curb, furnished the basis for spectacular demonstrations and at times it seemed as if everyone from Maine to California either had "a little" or was about to get "a little" of at least one of the issues. And not one of the three met with a full measure of success from war contracts, at least the success that is measured by big revenues and comfortable dividends. Through no fault of the companies themselves the public was fed with reports of stupendous earnings, and in the main it was indigestible fodder.

While interest in these companies has fallen away since November last, there are many who have held their shares and who are interested in the peace prospects. In addition there has been spasmodic interest from those who wish to believe that the shares have rather thoroughly discounted the cessation of war business, and who think that probably they have reached a level from which they would respond to any developments indicating the establishment of peace business.

Submarine Boat

Of the three companies perhaps Submarine Boat has received the most market attention since the end of hostilities. This company came into existence in the summer of 1915 as a result of the recapitalization of the Electric Boat Co., when ten shares of Submarine Boat Co. stock were given for one share of Electric Boat Co. In reality the Submarine Boat Co. is mainly a holding company, although the operations at the Newark Bay shipyard are under the name of the Submarine Boat Co. When it came into its present corporate existence in 1915, the company was equipped to manufacture submarine and power boats. The control of the Holland submarine patents was considered a valuable asset. These patents, it has been claimed, were extensively used by both the English and the German governments, and the Submarine Boat Co. has had hopes of recovering from these countries for use of the patents during the period of hostilities.

At the height of the speculative interest, and at the time when the shares touched their high points, Submarine Boat was never considered in the light of a constructor of cargo boats, but its chief asset was the hunter of cargo boats—the submarine. But now the picture has changed, and it is quite assured that whatever substantial future Submarine Boat may have lies in the development of the American merchant marine, and the continuance of the American shipbuilding industry.

As soon as the United States entered the war, and the need for cargo carriers became obvious, not to say acute, the whole complexion of Submarine Boat's activities was changed. At the cost of $17,000,000 a shipyard was constructed on Newark Bay near Newark, N. J., for the account of the Emergency Fleet Corporation, and the construction of ships for the Government began.

A contract was made with the U.S. Shipping Board Emergency Fleet Corporation for the construction of 150-5,500 ton steel cargo boats. The company went ahead with the idea of standardizing the building of the steel ships, and from the outset met with delays and difficulties that hampered the delivery of finished vessels to the Government. In 1918 twenty vessels slid

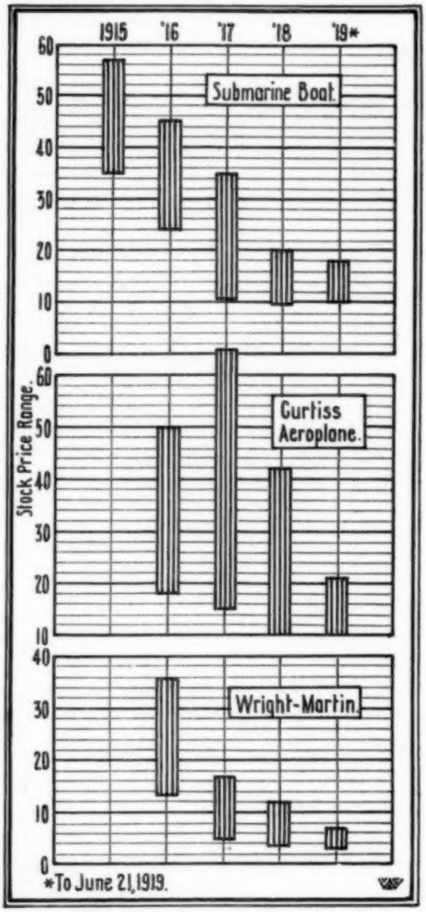
down the ways, but up until March, 1919, only four completed ships had been delivered. Since then work has been speeded up, and thirty-one ships are either ready for delivery or have been delivered. It is understood that the contracts do not admit of cancellation, so it is obvious that work at the Newark Bay shipyard still has a long distance to go before the original contract is completed.

No Estimate of Profits

It has not been possible to figure so far, the financial results of the contract to the company, and possible profits may not be estimated. The ships are being built at a fixed price, generally understood to be $966,000 per ship, or on the basis of about $176 a ton. The income account of Submarine Boat for 1918 did not take into account possible profits or losses on the partially completed ships at the Newark Bay yard. In the year ended December 31, 1918, the net income was equal to only $172,779 practically all of which represented dividends upon the stock of the Electric Boat Co., which was busy on the construction of submarines and submarine chasers. In the year ended December 31, 1917, the net income of Submarine Boat was $1,248,099. In 1916, Submarine Boat paid dividends of $6 on the 765,810 shares of stock outstanding, and in the following year $3 a share was paid. Since the middle of 1917 no dividends have been paid.

That earnings record, however, is past, and in view of changed conditions, serves as little more than a background for future operations. Another point in connection with the status of the company is the fact that as of December 31, 1918, there was on deposit to the credit of the company in Russian banks, 11,900,000 rubles, which were carried on the company's balance sheet at 13 cents per ruble. Any improvement in the Russian situation will help to pull this obligation out of the fire. The sum represents the result of contracts for submarines executed for the Imperial Russian Government.

Not long ago Submarine Boat offered to build 12,000-ton cargo carriers at $149 a ton. This offer at the time it was made rather took by surprise shipbuilders of the country. The figure compares with $176 a ton for the 5,500 ton ships now under construction, and indicates that the company feels fully



able to develop business under peace conditions on a profitable basis.

Cost Determined by England

The great shipbuilder of the world is England. Ship costs of the world were determined there, and so far there is no conclusive evidence that this will not continue to be the case. The conviction is spreading that England will never again be a low cost producer, or at least costs will be more on a level

with those of other great nations, particularly the United States, and in that lies hope for the shipbuilders of this country. Precedent would indicate that foreign governments will offer inducements to their shipbuilders to keep them in the forefront of the commercial fight. The policy, or rather the long range policy of this country, is to date, a matter for little more than guess work. But the future of such companies as Submarine Boat is vitally intertwined with the establishment of a constructive policy, and if the United States is to have a merchant marine worthy of the name, her shipbuilders must have a stable foundation upon which to build.

BEFORE—Site of Newark Bay Shipyard of the Submarine Boat Corp., Sept. 14, 1917

The official signing of the peace treaty naturally centers interest upon Submarine Boat's prospects but in view of the developments over last year, it seems that the company's future activities will lie largely along the lines of steel cargo ship construction and the manufacture of heavy power Diesel engines.

Dividend rumors have been very persistent during the last few weeks and as the Company is reported to be in good financial condition with earnings accumulating at a rapid rate, it would occasion no surprise if the directors decided to resume dividends after various adjustments of claims with the Government are made. The stock in the neighborhood of $17 or $18 a share therefore appears to have some speculative possibilities for further market appreciation and to be attractive to those whose belief is sure in the future of the shipbuilding industry in the United States.

In all truth it must be said that the operations of the company proved to be anything but a success from a financial standpoint. That statement may be qualified perhaps by the fact that it was not until the time of the armistice that the company began to get into quantity production. Originally it was quite widely supposed that Wright-Martin would make aeroplanes in their entirety, but it soon developed that the company would specialize in the manufacture of aeroplane motors.

Wright-Martin

Wright-Martin might be described as a "war bride" who never quite reached the altar. When war in the air developed along the battle fronts, Wright-Martin became a name almost to conjure with, and the shares of the company became a speculation that frequently was simply a plunge.

The first venture was the order from the French Government for the Hispano-

Suiza motors, an engine which had been used with great success in France and Russia. Wright-Martin took the order, but never made any profits. It was expensive and it took time to develop an organization and a plant that could turn out motors in quantity on a commercially profitable basis. When the United States entered the war the Government placed quantity contracts for the above type of motor with Wright-Martin, and at about the time the armistice was signed the company's factories were just about established upon a quantity basis. It has been estimated that by February, 1919, when contracts with the Government were abridged, perhaps 7,000 motors had been delivered. When the fighting ceased it was said that Wright-Martin had on its books about $50,000,000 of Government business, and probably, of this total, over $30,000,000 was cancelled. The provisions of the contracts protected the company against loss, but adjustments are yet to be made, and it will probably be some little time before final results may be ascertained.

Since the beginning of the present year the company has been in a state of suspended animation. This is said without in the least intimating anything uncomplimentary to the company. The difficulty of the shift from a war to a peace basis in a business that was so specifically military in character should be obvious. In May, came reports that the Government had ordered 1,500 Hispano-Suiza motors from the company, and the contract was said to involve $20,000,000. This, however, has been the only development affecting operations and earnings that has come to light.

Wright-Martin has outstanding $5,000,000 7% cumulative preferred stock, upon which dividends of over 18% are in arrears, and 897,500 shares of common stock, of no par value. As a liquidating proposition, (and it has been said that Wright-Martin would be liquidated), it would appear as if the preferred stood a fair chance of receiving dollar for dollar, including the back dividends. This assumption is based upon the company's balance sheet as of June 30, 1918, and upon the belief that Government-cancelled contracts would be satisfactorily adjusted. The value of the common under those conditions is problematical. In the period from May 31, 1917, to June 30, 1918, the company showed net

AFTER—A View of the Shipyard 16 Months Later, January 15, 1919

earnings of $540,000, but in the period from September, 1916, to May 31, 1917, there was a deficit of $1,205,000.

Recently a new turn was given the affairs of the company by the report that negotiations had been started with the International Motor Truck Corporation looking toward a merger. While no details are yet available, it seems likely that if anything comes of the plan, Wright-Martin would be absorbed by the International. Wright-Martin's plants represent an investment of over $5,000,000, and they could be used nicely in the manufacture of automobile motors and parts. In the event of that merger, it would seem likely that there would be enough in the preferred stock's possibilities to warrant a purchase in the 60s. The common is, of course, to be rated as speculative. It has interesting possibilities but will hardly meet the requirements of the conservative investor.

Curtiss Aeroplane and Motor Corporation has been, and is, for that matter the most prominent of American air craft manufacturers, and has met with a fair measure of success in its operations. The company was incorporated in 1916, when the great importance of air and seaplanes was fast becoming apparent. But when the company was formed the public in general considered only the possibilities in war contracts, and never gave a thought to the status of Curtiss when the war should be over. Little interest has been manifested in the affairs of the company since the first of the year. As far as is known the company is still in the midst of adjustments with the Government over contracts, and the financial results of operations in 1918, the year of greatest activity, are not yet publicly known.

Since incorporation, the company has been able to pay regularly the 7% dividends upon the $6,000,000 preferred stock, but has not paid any dividends upon the 217,000 shares of common stock outstanding. The latest earnings are those for the year ended December 31, 1917, when $1.42 a share was returned upon the junior shares, but this was after liberal charge offs on patents, etc., and perhaps did not accurately represent the true earning power of the company. Unless all estimates are at wide variance with actual results, the showing for 1918 was better than for 1917.

Shortly before the armistice, it was reported that Curtiss was doing a monthly gross business of $5,000,000, and expected to do $8,000,000 a month by this spring. In 1917 total gross business was slightly under $20,000,000. There are no figures to show what current operations are. Government war work was long since stopped, and new contracts are mainly dependent upon appropriations. It is to be noted that the House wanted to grant only $15,000,000 for naval aviation, but the Senate raised this to $55,000,000 with the final figure still to be settled by conferences.

Control of Curtiss rests with the Willys-Overland Co. through the ownership of 24,000 shares of preferred and 60,000 shares of common. This control effected in June, 1917, is to run through the end of 1920. Whether this will be made perpetual cannot be known as yet, but in the meantime, the facilities of the Curtiss Co. could be used by Willys for automobile motors, and parts, but whether the Willys company will have need of these facilities is another factor that is not established.

As to the commercial future of the aeroplane, plenty could be written, but it would mostly be in the realm of uncertain prediction. The Curtiss Co. has specialized in the manufacture of flying boats, and they probably are as popular as any type of aircraft. Of course the company can count upon some Government business, but in view of the present conditions, it is rather doubtful whether this source of income would be large enough to lift the common stock into the dividend paying class.

Since the first of the year the common shares have been inactive and the range has been between 10 and 20. They are purely speculative, and must be bought largely upon faith in the future of the aircraft industry. Whether the investor has this faith or not is perhaps a question of temperament. Certainly it would be unsafe to make definite predictions.

The preferred would appear to be a fairly attractive speculative issue, but has some distance to go before reaching the investment stage.

Trend Letter Clients Regret Its Discontinuance

OWING to the demands on the time of Richard D. Wyckoff by the rapid growth of THE MAGAZINE OF WALL STREET, and in order to devote more of his time to building a bigger and better publication, Mr. Wyckoff decided to discontinue publishing the TREND LETTER on the 28th of June, 1919.

The number of letters received from clients of THE TREND LETTER after the notice of discontinuance has been a great source of pleasure and satisfaction to us. Not only have the letters expressed appreciation of the high character of our eight years' work but they have also evidenced keen regret at the termination of this service.

THE TREND LETTER has been the first traders' service in the history of Wall Street written by a man having the knowledge and financial standing of Mr. Wyckoff. The subscription list includes some of the most important people in the country, as well as banking houses in this country and abroad, to whom we have given a cable service. A considerable number of our original subscribers are still on the list. We endeavored to keep our subscription list down to five hundred and increased the price at various times to hold it at that number; at other times, for periods as long as six months we did not accept any subscriptions, but as we are about to close, we have six hundred subscribers.

THE TREND LETTER COMPANY offered its subscribers the choice of a refund of the balance due on their paid subscriptions, or a transfer to the Investment Letter Service. Over ninety per cent. decided to take advantage of our Investment Letter Service.

Below we reproduce a few of the letters we have received from our clients.

THE TREND LETTER CO.

Virginia, June ' 1919.

THE TREND LETTER CO.,
42 Broadway, New York City.

Gentlemen:

I am very sorry indeed to learn of your decision to discontinue the publication of THE TREND LETTER after June 28th. I wish very much that you would reconsider the matter and let your subscribers have this letter. It is the best service in this respect that I know of anywhere, and while you have not been right every time, I can say that in the majority of cases you have been right. No one can expect to be right every time.

Yours very truly,
A. L. J———.

Massachusetts, June 24, 1919.

THE TREND LETTER CO.,
42 Broadway, New York City.

Dear Sirs:

I regret that THE TREND LETTER is being discontinued as I have been a subscriber to it almost since its inception. It has undoubtedly been the best service that I have ever seen and naturally I, along with a great many others, will feel the loss of it. However, it may be that the Investment Letter will, as you say, furnish a very good substitute, and accordingly I am subscribing to the same for one year.

Respectfully yours,
J. C———.

Ohio, June 18, 1919.

MR. RICHARD D. WYCKOFF,
42 Broadway, New York City.

Dear Sir:

I am awfully sorry that you are compelled to discontinue your TREND LETTER. These letters have been a great help to me in business and very profitable in the market. It is impossible for me to express the satisfactory feeling one has while in a campaign recommended by the TREND LETTER and I assure you that they will be greatly missed.

Should you ever decide to reinstate this service I trust I may have the opportunity of being one of your first subscribers. Wishing you continued success, I remain,

Yours very truly,
W. E. D———.

THE TREND LETTER CO.,
42 Broadway, New York City.

Gentlemen:

Like lightning from a clear sky came your announcement of May 29th.

It is hard to understand why such a successful letter should be discontinued and during so important times, but I do trust that the change is for the better of all concerned.

Your offer on unexpired TREND LETTER subscriptions to the Investment Letter is fully appreciated, and according to the enclosed typewritten form, kindly apply balance due me on June 28th, to the Investment Letter.

Yours very truly,
W. P———.

READERS' ROUND TABLE

[Subscribers are invited to contribute to the Readers' Round Table Department. From our readers we receive many valuable suggestions and interesting ideas, and have inaugurated this feature in order that they may present their problems and their thoughts to their fellow-readers. We believe that this interchange of ideas will prove to the advantage of all. Send in your manuscript addressed to Editor, Readers' Round Table. No names will be used unless permission is given.—*Editor.*]

A Small Account That Proved Profitable—How Common Sense Methods Brought Success

ON May 18, 1915, I deposited $100 with my brokers and later ordered some stocks which I owned outright sold, bringing my total capital on June 11, 1915 up to the modest sum of $395.76.

Instead of increasing the amount on deposit, I began to ask for checks as soon as profits warranted doing so and they were sent me as follows:

June 17, 1915	$50
Aug. 27	60
Oct. 26	100
Dec. 15	150
Jan. 21, 1916	75
Feb. 22	67.25
June 6	100
Sept. 8	50
Sept. 30	75
Dec. 9	125
Dec. 14	150.37
Total	$1002.62

The check on December 14, 1916, closed the account, and a simple arithmetical calculation will show that I had drawn out $606.86 more than I had deposited. In other words in about a year and seven months the original $395.76 had earned $606.86 which is at the rate of about 100% a year.

An analysis of some of the trades may prove of interest.

My first purchase was 10 Steel common on May 24, 1915 at 54⅝, followed by 3 more a few days later at 54. I already had on deposit 2 shares of Steel which I owned outright. The 15 shares were sold on June 11 for 58½, giving me a profit on the 13 shares of $47.69.

On May 26, I bought 2 Guggenheim Exploration for 59⅛ and on Oct. 25 3 more at 67⅝. I sold the 5 shares on Dec. 16 at 77⅜ giving me a profit on the small lot of $61.92.

Another interesting profit was made in Inspiration Copper which I bought as follows: 2 shares on May 26 at 29⅞; 3 on June 8 at 32⅜ and 5 on Aug. 13 at 32¾. These I held until Dec. 16 when I sold the 10 shares at 45, yielding a total profit of $124.29, the largest made on any one trade.

Two Maxwell Motors 1st. Preferred bought on July 6 at 83⅛ yielded a profit of $29.92 when finally sold on Nov. 29.

Erie Common looked attractive at 25⅛, so I bought 10 at that figure on July 27. I did not catch the high for Erie Common but was well satisfied to gain $100.85 by selling out at 35½ on October 25.

One share of Texas Oil purchased on Nov. 24 at 200⅛ resulted in a gain of $22.33 when sold on Jan. 18, 1916. This wasn't bad for one share handicapped by commissions both ways. In all these trades the profit is after allowing for the brokers' charges.

A little deal in Reading brought additional strength to the account. A bold purchase of 5 shares of that frisky railroad stock on April 13, 1916, at 84⅜ proved a wise move. After doing all sorts of fancy stunts the stock reached 101⅝ where I got off on June 2. This meant a profit of $83.63 to the credit of Reading.

Later in 1916 I became attracted by another quick mover, none other than International Paper, which however, I did not buy until it reached 60½. However, I got out of it in about two weeks, and as later developments proved I was lucky to make the resulting profit of $53.03 on 5 shares.

Of course, every now and then I would take losses, some of which were unnecessary had I held on. The largest loss, however, of all my trades was only $27.60. This resulted from buying 5 American Linseed Common at 26¾ on Nov. 2, 1916, and selling it on Nov. 21 at 21¾.

The next loss in size was on 5 Ray Copper bought on Nov. 13 at 33⅛ and sold Dec. 13 at 28⅜. I seemed to be unfortunate with this good little copper stock, as a previous transaction in 2 shares resulted in a loss of $5.04.

Altogether in the year and seven months I made thirty sales, eighteen of which were at a profit. The average gain, however, on the eighteen was over $39, while the average loss on the twelve which went the other way was but slightly over $10.

Besides the stocks already mentioned profitable trades were made in the following: Anaconda, Kansas City Southern, Californnia Petroleum, Beet Sugar, Kennecott, U. S. Rubber and American Woolen.

Losses were taken in United Fruit, Wabash A, Chino, Maxwell 1st, Anaconda, Hide and Leather Preferred, Mexican Petroleum and Greene Cananea.

I find that $78.25 in dividends were credited to the account while the interest charges

were $55.22, thus leaving a profit from that source of $23.03.

This small account which made money for me taught me several lessons. One was the advantage of not being too near the market. The house with which I dealt was in another city, and I had plenty of time to think before giving my orders. During this same period I ran a larger account to the accompaniment of a great deal of ticker watching, and while the process was interesting and for a time profitable, the result in the end was disastrous to my bank account.

Another lesson was to stop when you have enough. When things commenced to go wrong in the latter part of 1916 I had the good sense to close the account.

The criticism might be made as to the wisdom of drawing out the profits as they accrued instead of allowing them to accumulate, and then trading in larger quantities. For my part I feel convinced that had I followed such a procedure I would have had another sort of a story to relate.—W. M. V.

NOTE.—W. M. V. does not tell us why his various commitments were made, doubtless because his reasons were complicated and would perhaps be difficult, in retrospect, to explain in full. It is easy to see, however, what were some of the reasons for his success.

One reason was that he used liberal protection. He began with 15 shares of U. S. Steel common, behind which he had protection of $395.76, and apparently he followed the principle of having plenty of capital throughout the entire series of transactions.

Another reason was that his losses averaged smaller than profits. His largest loss was $27.60, while nearly all the profits which he mentions were considerably larger than that—one being $124.29. It is clear that W. M. V. has broken away from that most common of all errors—hanging on to a trade while it runs into a big loss. When the market began to go against him he soon closed the trade.

He followed the same policy also in closing his account when the whole market began to decline in the latter part of 1916. In this he showed considerably more than ordinary wisdom.

A third reason was that he did not plunge on his profits as the market rose, but kept his commitments down to approximately the same scale on which he had started. This, of course, is not what the average man does. The outside public usually buys more and more as prices rise. The trader who has doubled his money feels warranted in doubling his operations.

This might be reasonable if the market were still at the same level as when the first purchases were made, but that is not usually the case. As a rule the trader who has doubled his money by buying Steel at 70 and selling at 100 will in the end buy twice as much Steel at perhaps 110. So when the inevitable decline comes he has a great deal more stock on hand than he had when the advance started.

Still another clear reason for W. M. V.'s success was that he evidently looked upon trading in the market as a business and worked on business principles. He expected to make both profits and losses and his aim was to make the profits exceed the losses both in number and amount. From that point of view he was not afraid to take a loss when the market began to go against him.

Again, W. M. V. realized that "a bull can make money, and a bear can make money, but a hog never can." It is clear from his trades that he made no attempt to "get the top." He was satisfied with a good profit, a profit considerably larger than his average loss on losing trades.

Judging from the variety of stocks in which W. M. V. traded, we may guess that most of his purchases were founded on the basic reason that he believed the whole market was in a bull trend. Apparently he banked on that foundation and endeavored to pick out stocks which he thought should have their turn in the advance. While he was not always successful in this, he was right often enough to make his small capital earn a very large interest return.—EDITOR.

June 10, 1919.

THE MAGAZINE OF WALL STREET,
42 Broadway,
New York, N. Y.

Gentlemen:

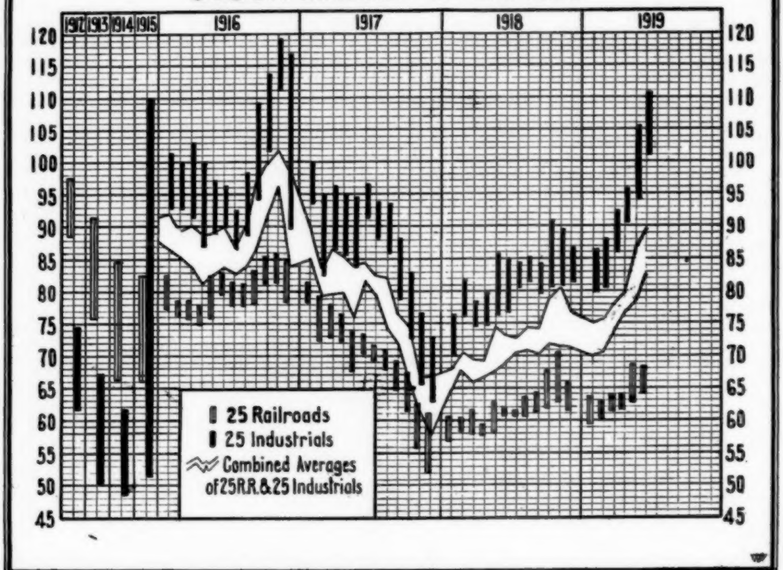
I have read with much interest Mr. Hosmer's article in your issue of May 10th, and also Mr. Sinclair's article on "The Future of the Oil Industry."

Neither Mr. Hosmer nor Mr. Sinclair see fit to mention the greatest petroleum reserve in the world, namely, the Shale deposits of Western Colorado and Eastern Utah. There is more oil in these Shale beds, ten times over, than has ever been produced in the history of the world.

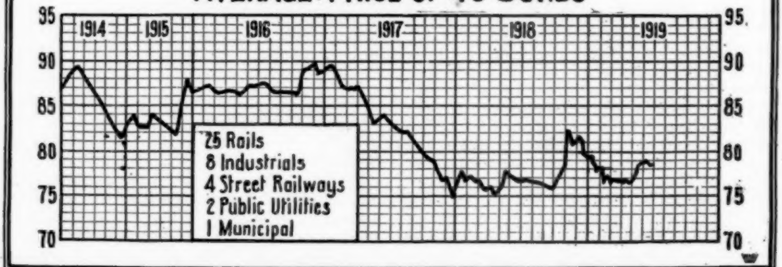
I am taking the liberty of sending you some recent copies of our magazine. You are at liberty to use anything you see in its columns, or, if you prefer, the writer will be pleased to give you a special article on the commercial outlook of this phase of the oil business.

Yours truly,
B. A. HAYDEN,
Publisher *The Shale Review.*

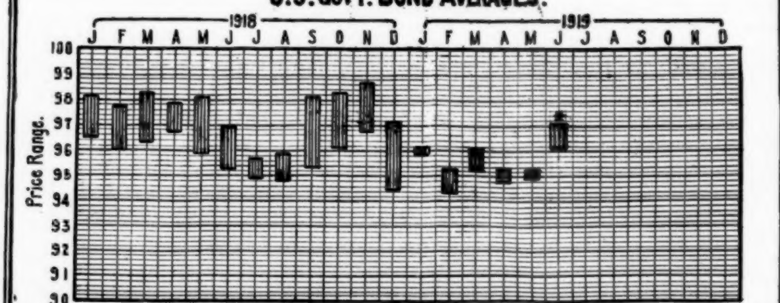
STOCK MARKET AVERAGES



AVERAGE PRICE OF 40 BONDS



U.S. GOVT. BOND AVERAGES.



* Average of June & later months raised by inclusion of Victory Bonds.

To June 26.

The New England Point of View

By Our Boston Correspondent

Boston Prepares for Foreign Trade—Demand for Municipal Bonds— Outlook for Leather and Wool

ACCORDING to present indications, New England is ready for the biggest business in its experience. With a resumption of relations with the Central Powers, now that Germany has signed the treaty, and unrestricted trade with the rest of the world, this community should secure a large part of the increased exports which are bound to follow, once pre-war activity is resumed on a large scale.

Anticipating this, the banks of New England have been long at work perfecting plans by establishing branch offices in the various parts of the world, thus paving the way for a steady flow of New England manufactured articles. That the banks and bankers here are alive to the greatest opportunity which ever faced this section, goes without saying. These constructive steps which have been put into operation should soon be reflected in an industrial expansion greater than ever before realized. What this additional business means to the banks, manufacturers and employes of New England is obvious.

While in some of the war stricken countries it will be necessary to establish credits either by the banks of this country, or by our own government, it must not be forgotten that there are a large number of countries in Europe and Asia at the present time which are far from being impecunious. India, Japan, Holland, Sweden, Denmark, Norway and Switzerland, particularly the last five, have capitalized the exigencies of war, thus being in a position to purchase goods in this country in a liberal manner. The abnormal steamship rates which prevailed during the war mitigated against heavy importations, but now with a steady decline in ship rates, coupled with an increasing tonnage space, large orders for American goods are expected.

With the port of Boston several hundred miles nearer Europe than other large shipping centers along the Atlantic seacoast, there should be a steady flow of products from this section. Moreover, during the war, facilities for the handling of large ships have been greatly improved so that Boston should experience a vast increase in both exports and imports.

Particular attention has been given to South America, and from that end there should be a heavy demand for New England goods. The recent flow of gold from Boston is understood to be only the beginning of shipments, and in this direction a steady flow of gold is expected for some time. With American experts on the ground for many months, of which New England has a large representation, foreign powers will find it increasingly difficult to get a foothold.

Ample banking facilities have been established throughout South America to take care of immediate demands, with satisfactory assurances that further extensions will be made as soon as conditions warrant. With this extensive market open for American goods, and New England bankers giving every possible assistance, this section should prosper in a marked degree.

New England Bond Market

One gratifying feature of the New England bond market has been the steady absorption of municipal bonds, prices for some of the issues advancing into new high territory. A canvass of the bond houses reveals an increasing demand for this particular class of securities with several well-known houses looking for a much heavier call. For the past several weeks, the investing public has looked with favor on tax exempt municipal bonds, and between now and the end of the current year the consensus is that a greater degree of activity will prevail for these securities.

It is a well-known fact that while the government was energetically pushing the war to a successful conclusion the various cities and towns refrained from issuing bonds unless actually needed. Now with all restrictions removed, and a large amount of municipal work to be performed, bond houses are anticipating a large amount of new issues.

Obviously the tax exemption privilege carried by municipal bonds is no doubt the dominating element in influencing substantial purchases of such bonds, and no doubt will continue to play an important part in popularizing such issues in the future. Burdensome federal and state taxes are largely instrumental in bringing about the heavy demand for these issues, and individuals who have overlooked this particular class of investment in the past have been recently displaying unusual attention towards them. Since the first of the year, business for these securities have been far beyond expectations, and with a continuation of excessively high taxes there is little prospect of any change in the market for some time to come.

One of the most attractive issues that is anticipated, is the proposed issuance of State bonds by Massachusetts to pay $100 each to soldiers and sailors who have been in the service of the United States. It is expected that Massachusetts will be obliged to offer $20,000,000 to provide the necessary funds to cover the recent piece of legislation. An issue of this amount should prove very attractive to large municipal bond buyers, and there is every reason to expect that the State of Massachusetts will receive a liberal premium on this issue of securities. How long before this issue of bonds will appear is still a matter of conjecture, but in well-in-

formed circles it is not believed that much time will elapse before bids are asked by the State Treasurer. Such a large amount, however, should find a ready market, and if present indications are any criterion, no difficulty should be encountered in making a quick sale by the banking house or banking syndicate which proves to be the successful bidder.

The Shoe and Leather Situation

In the New England leather market a strange situation exists. In the early part of the year prices which prevailed at that time were shyly looked at by the trade as being high, but since that time startling advances have occurred. Moreover, what is more disturbing, still higher prices are momentarily expected. In trade circles it is stated by close observers that the top prices are far from being reached, and a situation already acute promises to grow worse.

It is confidently predicted in Boston that prevailing prices for shoes must advance in the near future, and those who are anticipating lower prices are doomed to disappointment. While manufacturers and tanners deplore, and are doing everything within their power to prevent a runaway market, war effects and international demand have proven an irresistible barrier.

With the Central Powers entering the market for supplies, coupled with the present scarcity of leather, a period of high prices appear to be the outcome. It is a well established fact that the Central Powers are practically bare as far as shoes are concerned, and there should be an urgent demand from these countries, not only for immediate needs, but to replenish their empty shelves, made so by four years of war.

With a small cattle kill in the West, 40 to 42 cents a pound were recently paid for native cows as compared with prices at the beginning of the year of 23 to 27 cents. In union leather middleweight cow backs which sold at 72 cents a pound at the start of the year, a strong market at 88 cents a pound now prevails. Hemlock and oak leather are also strong in price and scarce in supply for many grades. The upper leather market is even in a more excited state, with calf skins bringing 80 cents a pound, or more than twice the quotations several months ago. Even at this price it is a question of getting the material rather than paying the price.

This particular situation has been instrumental in keeping local dealers from taking large sized orders. This method which has been adopted is primarily to keep supplies equitably distributed with regard to future price probabilities. With the scarcity of hides the world over, and foreigners becoming more prominent in the buying, despite advancing quotations, interests allied with the trade are somewhat fearful concerning the future.

As a matter of fact, if there is no radical change in conditions soon it is expected that some of the shoe factories may have to close, due principally to the inability to secure sufficient raw materials. Practically all of the factories have abundant orders on hand, but the trying thing is to fill the order. Thus to have supplies on hand it is necessary to lock up considerable capital, and unless one has good credit, and a large financial surplus, the problem proves all the more complex.

At present the results of the war are being more keenly felt than ever before. The enormous amount of leather which was necessary to keep the soldiers supplied has seriously drained resources. How fast shoes disappear is obvious when it is stated that a soldier needs approximately nine pairs of shoes a year during a hard campaign. The situation is all the more intensified when returning soldiers and others endeavor to return to pre-war buying.

In some quarters there is now heard talk of securing some relief by finding some other material which will hold well under the strain to take the place of leather. In other countries where a leather shortage existed different substitutes were resorted to, though how well they succeeded has not definitely been established. Even in allowing the use of substitutes, it must not be forgotten that labor enters heavily, for with shorter hours and higher pay it can not be expected that prices will show any material slump.

Demand for Wool

Government wool auctions in Boston have been concluded for the present, but will be resumed early in September when the last of the government supplies will be disposed of. This suspension of sales was agreed upon while the domestic clip was coming into the market some time ago. Prices which the Government received for part of its holdings at these auctions were on the whole very satisfactory, practically all grades finding ready purchases with the possible exception of the poorer grades for which no very great demand seems to prevail. For the better grades of wool buying was of the very best sort, prices paid the government being well above the minimum price set by the Wool Administration.

What it true of the leather trade is like wise true of the wool trade. For the very best grades of wool an almost unlimited demand continues with very few of the wools for sale. This situation is proving a hardship to many of the mills who have already many orders calling for the use of high grade wool, without any immediate prospect of receiving a large amount. It would not be surprising if mills were compelled to refuse orders from now on for goods calling for the best wools on account of the acute scarcity which confronts the woolen and worsted manufacturers. Large wool houses report that there is no expectation of an immediate improvement. For the same grade of wools no two dealers are quoting the same price, and no delay on the part of the buyer is made when an opportunity is available for getting certain grades.

IMPORTANT DIVIDEND ANNOUNCEMENTS

To Obtain a Dividend Directly from a Company the Stock Must Be Transferred Into the Owner's Name Before the Date of the Closing of the Company's Books

Ann. Rate	Name	Amount Declared	Paid to Holders as of	Payable
	A			
7%	Allis-Chalmers, p....	1¾% Q	June 30	July 15
....	Allis-Chalmers, p ext	m¾%	June 30	July 15
6%	Amer Agr Chem, p..	1½% Q	June 23	July 15
8%	Amer Agr Chem, c..	2 % Q	June 23	July 15
8%	Amer Beet Sugar, c.	2 % Q	June 12	July 31
$3	Am Gas & Elec, p....	75c Q	July 15	Aug. 1
7%	Amer Locomotive, p..	1¾% Q	July 3	July 22
7%	Am Sumatra Tob, p.	3½% S	Aug. 15	Sept. 1
8%	Amer Tel & Tel......	2 % Q	June 20	July 15
7%	Amer Woolen, p....	1¾% Q	June 16	July 15
5%	Amer Woolen, c....	1¼% Q	June 16	July 15
5%	Associated Oil.......	1¼% Q	June 30	July 15
10%	Atch, Top & San Fe, p	2½% S	June 30	Aug. 1
7%	Atl Cst Line R R c	3½% S	June 19	July 10
$10	Atl, Gulf & W I S S, c.	$5 S	June 30	Aug. 1
	B			
7%	Barrett Co, p......	1¾% Q	June 30	July 15
8%	Bell Tele of Can..	2 % Q	June 30	July 15
j8¾%	Boston & Albany...	2½% Q	May 31	July 30
	C			
6%	Canada Southern....	1½% S	June 30	Aug. 1
7%	Canad Car & Fdy, p	1¾% Q	June 26	July 10
$5	Central Coal & Coke, p	$1.25 Q	June 30	July 15
$6	Central Coal & Coke, c.	$1.50 Q	June 30	July 15
5%	Cinc, N O & T P, p	1¼% Q	Aug. 23	Sept. 2
6%	Cities Service, p....	½% M	July 15	Aug. 1
....	Cities Service, c ext	el %	July 15	Aug. 1
4%	Comput-Tab-Record ..	1 % Q	June 25	July 10
7%	Cont'l Motors, p...	1¾% Q		July 15
$6	Cuba R R	$3 S	June 30	Aug. 1
....	Cuba R R, c......	10%	June 30	Aug. 1
	D			
7%	Dom Pow & trans, p..	3½% S	June 15	July 15
4%	Dom Pow & Trans, c..	1 % Q	May 31	June 15
7%	Dominion Steel, p..	1¾% Q	July 12	Aug. 1
7%	Dominion Textile, p.	1¾% Q	June 30	July 15
6%	duP deN Co, deb stk	1½% Q	July 10	July 25
5%	duP deN Powder, p..	1¼% Q	July 19	Aug. 1
6%	duP deN Powder, c..	1½% Q	July 19	Aug. 1
	E			
10%	Eastern Steel, c....	2½% Q	July 1	July 15
4%	Elsenlohr (O) & Br, c	1 % Q	Aug. 1	Aug. 15
	G			
8%	General Electric....	2 % Q	June 7	July 15
....	General Electric, ext	x2 %	June 7	July 15
7%	Gt Nor Ry, p......	1¾% Q	July 1	Aug. 1
7%	Glf States Steel, 1st p	1¾% Q	Dec. 15	Jan. 2
6%	Glf States Steel, 2d p.	1½% Q	Sept. 15	Oct. 1
6%	Glf. States Steel, 2d p	1½% Q	Dec. 15	Jan. 2
	H			
6%	Harb-Walk Refrac, p	1½% Q	July 9	July 19
	I			
5%	Int'l Agric Corp, p..	1¼% Q	June 30	July 15
$6	Internat'l Harvester, c	$1.50 Q	June 25	July 15
	K			
4%	Kan City So Ry, p	ss1 % Q	June 30	July 15
7%	Kayser (Jul), 1st p	1¾% Q	July 21	Aug. 1
7%	Kayser (Jul), 2nd p	1¾% Q	July 21	Aug. 1
4%	Kress, S H, c	1 % Q	July 19	Aug. 1
	L			
10%	Lehigh Vy R R, p	ss$1.25 Q	June 14	July 5
$3.50	Lehigh Vy R R c	ss87½c Q	June 14	July 5
7%	Louisville & Nashville	3½% S	July 21	Aug. 11
	M			
7%	May Dept Stores, p	1¾% Q	Sept. 15	Oct. 1
6%	May Dept Stores, c..	1½% Q	Aug. 15	Sept. 1
7%	May Dept Stores, p	1¾% Q	Dec. 15	Jan. 2
8%	Mexican Petrol, c..	r2 % Q	June 14	July 10
10%	Mexican Telegraph ..	2½% Q	June 30	July 16
4%	Mich Cent..........	2 % S	June 30	July 29
	N			
7%	National Biscuit, c..	1¾% Q	June 30	July 15
5%	Nat'l Cloak & Suit, c	1¼% Q	July 8	July 15
6%	Nat'l Enam & Stp, c	1½% Q	Aug. 11	Aug. 30
5%	New York Central.	ss1¼% Q	July 9	Aug. 1
5%	New York Dock, p..	2½% S	July 5	July 15
$16	New York Transit..	$4 Q	June 21	July 15
7%	Niag Falls Power, p	1¾% Q	June 30	July 15
$1	Nippissing Mines....	25c Q	June 30	July 21
....	Nipissing Mines, ext	25c	June 30	July 21
$4	Northern Central....	$2 S	June 30	July 15
7%	Northern Pacific....	1¾% Q	July 3	Aug. 1
8%	Nova Scotia S & C, p	2 % Q		July 15
5%	Nova Scotia S & C, c	1¼% Q		July 15
	O			
$2.50	Ohio Fuel Sup....	62½c Q	June 30	July 15
....	Ohio Fuel Sup, ext.	xx2 %	June 30	July 15
6%	Otis Elev, p.......	1½% Q	June 30	July 15
5%	Otis Elev, c..........	1¼ Q	June 30	July 15
	P			
5%	Pac G & El (Cal) c	ff1¼% Q	June 30	July 15
6%	Pacific Tel & Tel, p	1½% Q	June 30	July 15
$5	Pan Amer Pet & Tr, c	r1.25 Q	June 14	July 10
6%	Penmans, Ltd., p....	1½% Q	July 21	Aug. 1
7%	Penmans, Ltd., c....	1¾% Q	Aug. 5	Aug. 15
$3	Phila Co, c........	75c Q	July 1	July 31
7%	Pitt, Ft W & C, p	1¾% Q	June 10	July 8
$12	Prairie Oil & Gas..	$3 Q	June 30	July 31
....	Prairie Oil & Gas, ext	$2	June 30	July 31
12%	Prairie Pipe Line..	3 % Q	June 30	July 31
20%	Proctor & Gamble, c.	5 % Q	July 23	Aug. 15
....	Proctor & Gamble, c ext	e4%	July 23	Aug. 15
	Q			
6%	Quaker Oats, p.....	1½% Q	Aug. 1	Aug. 30
12%	Quaker Oats, c......	3 % Q	July 1	July 15
	R			
$2	Reading Co, 1st p...	50c Q	Aug. 26	Sept. 11
$2	Reading, 2nd p.....	50c Q	June 24	July 10
$4	Reading Co,. c.......	$1 Q	July 4	Aug. 14
6%	Republic Ir & Steel, c	1½% Q	July 16	Aug. 1
6%	Republic Ry & Lt, p	1½% Q	June 30	July 15
	S			
$1	Shattuck-Arizona ...	dd25c Q	June 30	July 19
7%	Shawinigan Wtr Pr, c	1¾% Q	June 27	July 10
7%	Steel Co of Can, p..	1¾% Q	July 10	Aug. 1
6%	Steel Co of Can, c..	1½% Q	July 10	Aug. 1
	U			
7%	Underwood Type, p	1¾% Q	Sept. 5	Oct. 1
4%	Underwood Type, c	2 % Q	Sept. 5	Oct. 1
7%	United Drug, 1st p	1¾% Q	July 15	Aug. 1
6%	United Drug, 2nd p	1½% Q	Aug. 15	Sept. 1
10%	United Fruit.......	2½% Q	June 20	July 15
$4	United Gas Imp....	$1 Q	June 30	July 15
6%	United Paperboard, p	1½% Q	July 1	July 15
5%	U S C I P & F, p	1¼% Q	Sept. 1	Sept. 13
2%	U S Food Products.	½% Q	July 2	July 18
....	U S Food Prod c ext	1½%	July 2	July 18
	V			
....	Va Iron, Coal & Coke.	3 %	June 25	July 25
	W			
7%	Western Union Tel..	1¾% Q	June 20	July 15
$7	Westinghouse Air Br	1.75 Q	July 3	July 31
$4	Westing' El. & Mfg, p,	$1 Q	June 30	July 15
5%	Wilson & Co., c......	1¼% Q	July 21	Aug. 1

dd—Capital Distribution.

e—Payable in Common Stock.

ext—Extra Dividend.

ff—Declared June 30th.

j—Payable 2% each March and September, 2½% in June, 2¾% in December.

ss—Subject to approval of Director-General of of Railroads.

xx—Payable in Liberty Bonds.

Financial News and Comment

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Investment commitments should not be made without further corroboration.—Editor.

RAILROADS

B. & M. R. R. Petition Dismissed

The Supreme Court has dismissed the petition of E. F. Brown of Ipswich and other minority holders of the company for annulment of amendment of a decree of the P. S. Commission authorizing consolidation of the unfunded debt of the company with that of its leased lines. The petitioners will appeal.

C., B. & Q. Earnings

The annual report of the company for the year ended Dec 31, 1918, shows net income after charges and war taxes, of $22,792,499, equivalent to $20.56 a share on the $110,839,100 stock, compared with $26,53 a share in 1917. Net income for 1918 is after deduction of lap-over items which accrued prior to Jan. 1, 1918, and are not reported separately, but comparison with 1917 indicates that the net debit balance was $1,858,000. Excluding this the surplus for dividends was $22.23 a share.

The corporate income account for the year ended Dec. 31, 1918, compares:

Fed. compens. $33,360,683, ...; Op. exp. and war taxes, $2,585,725, ...; Net $30,774,958, *$34,748,471; Other inc. **$3,202,348, $1,575,614; Gr. income, $33,977,306, $36,324,085; Int., rents and misc. chgs. **$11,184,807, $6,918,053; Net inc. $22,792,499, $29,406,032; Dividends, $8,867,128, $19,951,038; Sinking funds, $841,892, $1,397,031; Add. and better, $10,265,851, $8,057,963; Surplus $2,817,628,

*Oper. income, less net equipment and joint facility rents.

** Includes lap-over charges by Federal Administration.

Colorado and Southern Earnings

For the year ended Dec. 31, 1918, the company reports net income after war taxes and charges, of $1,376,371, compared with $2,493,456 in 1917. Allowing for first and second preferred dividends, the balance of $696,371 is equal to $2.24 a share on the $31,000,000 common stock against $5,85 a share in 1917.

C. R. R. of N. J.

On motion of Senator Edge, the U. S. Senate has passed a bill authorizing the company to construct a bridge across Newark Bay between Elizabeth and Bayonne, N. J.

D., L. and W. Revenues Rise

Company report for the quarter ended March 31, 1919, compares:

Oper. rev. $16,330,156, $13,445,960; Net rev. $3,352,544, $2,858,430; Oper. inc. $2,449,600; $2,153,525; Gross inc. $2,772,874, $2,302,496; Net inc. $2,597,799, $2,163,142.

In his annual report, Pres. Truesdale, of the company, said in part:

"The future of the railway companies, both physical and financial, is anything but reassuring as result of the Government's experiment in managing their properties since Jan. 1, 1918. The public does not fully realize how seriously and permanently the transportation facilities of the country have been crippled and their future growth stunted and restricted by what has happened to them since they were taken over.

"The company's transportation facilities were turned over to the Government, Jan. 1, 1918, in first-class condition throughout.

"Generally speaking, it is felt the company's property, excepting the renewal of rail, ties, and ballast and its freight car equipment, which latter was distributed all over the country, has been fairly well maintained."

Erie Still Shows Deficit

Although only eight railroad systems earned their compensation in year ended March 31, 1919, no trunk system suffered as severely as Erie under government operation. This road, which was building up rapidly to the end of 1917, shows a large operating deficit both for 1918 and for first four months of this year. It has earned less than no part of its compensation.

Improved 'Frisco Operations

On the basis of other income and charges as reported for 1918, St. Louis-San Francisco Railway, from operations in the 12 months ended April 30, 1919, earned $69,373 to apply on income mortgage bond interest, against $125,586 or 1.67% on the $7,500,000 preferred stock under federal compensation.

Net operating railway income for the 12 months ended April 30 was $11,305,284, against $11,199,410 in 1918 and certified standard return of $13,316,571. Application of other income, fixed charges and adjustment mortgage interest would leave $69,373 to meet $2,111,520, or 6% on $35,192,000 income mortgage bonds.

As an operating result this is somewhat better than the company did in the calendar year 1918 when, had it been dependent on operations rather than on federal rental, it would have fallen $36,501 short of covering its adjustment mortgage interest amounting to $2,325,033.

Illinois Central Earnings

Compensation fixed in the contract between the company and the Government, just signed, includes that of three subsidiaries. The amount for the Illinois Central itself is $16,282,373, which is the average income of the three test years.

As Federal control financially will last this year out, the company is assured of a surplus over charges and war taxes of 10% for 1919. Actual earnings of the property now are much below the amount of Federal compensation.

Lehigh Deficit

Company report for the quarter ended March 31, compares:

Oper. rev. $13,443,799, $11,193,750; Net. rev. $294,712, *451,753; Oper. def. 145,603, 916,844; Gross inc. $137,780, *$260,992; Net def. $158,826, $323,508.

* Deficit.

M. K. & T.—Rate Increase Asked

Company has filed application with the I. C. Commission asking for increases in rate on bullion and smelter products from western points to Mississippi river points and points east.

"Mop" Increases Holdings

Annual report of the company shows that it owned, Dec. 31, 1918, $11,555,000 Texas & Pacific Ry., stock as against $6,555,000 on Dec. 31, 1917.

The federal income account of the company for 1918 compares:

Oper. rev. $89,621,397, $78,320,313; Oper. exp. $73,231,738, $53,248,038; Net. rev, $16,380,659, $25,072,275; Tax. etc., $3,162,275, $4,243,312; Oper. inc. $13,218,384, $20,828,963; Other inc. $801,031, ...; Total inc. $14,019,415, ...; Hire of equip., rentals, etc., $2,197,438, ...; Net income $11,821,977, ...

N. Y. Central

Rates on paper in trunk-line territory must be made definite and uniform, the I. C. Commission declared in deciding the case brought by the Michigan Paper Mills Traffic Assn. against this company and other railroads seeking removal of alleged discrimination.

The company was allowed 45 days to revise schedule to eliminate the inequalities disclosed by the evidence.

"It is established," the commission said, "that many of the rates on paper in the East have been made by the carriers to permit mills on their lines to compete in certain markets with other mills more favorably located."

Norfolk and Western Drop of 54%

Net income of the road during the first four months of 1919 has shown an average decrease of 54%, compared with 1918, net for the period being only $1,264,618, compared with $2,762,747 in 1918. During April the decrease was 65%. The proportion of operating expenses to operating revenues was 81½% in April, against 62¼% in April, 1918.

Oklahoma and Texas Southern Ry.

This road has been incorporated to construct a railroad from Ranger to Newcastle, a distance of 50 miles.

The route of the proposed line is through the heart of the Central West Texas oil fields. The incorporators are J. D. Avis, E. L. Richardson and E. G. Cook.

Philadelphia and Reading Earnings

Company for the year ended Dec. 31, 1918, shows net income after taxes and charges of $8,510,461, equal to $10.01 a share on the stock, compared with $10 a share in the preceding year. The company has charged out from the above net income $6,858.568 for investment in physical property, leaving $1,651,893, or $1.94 a share on the stock.

The Federal income account shows actual net operating income $10,350,020, compared with the compensation of $15,868,331, a deficit for the Government of $5,518,311.

The corporate income account for the year ended December 31, 1918, compares:

Fed. Compens. $15,868,331, $13.876,338; Other inc., $702,423, $385,645; Gross inc., $16,570,754, $14,261,983; Int. tax., rent, etc., $8,060,293, $5,761,334; Net inc. $8,510,461, $8,500,649; Approp. for inv. in physical prop. $6,858,568, $3,785,381; Surplus $1,651,893, $4,715,268.

C. of G. Lists Bonds

N. Y. Stock Exchange has admitted to the list temporary ten-year 6% secured bonds of the company, due June 1, 1929.

Seaboard Air Line

A bill has passed both Houses of the Florida Legislature to forfeit the charter of the Tallahassee Southeastern R. R. (part of the Seaboard Air Line System) unless it is completed to Perry, Pa., several miles, by April 1 next and to Gainesville, Fla., about 80 miles, beyond Perry, by April 1, 1923.

Southern Ry. Dividend

Company has declared a semi-annual dividend of $2.50 a share on the preferred stock, payable June 30 to stock of record June 23. The directors took no action on the dividend due to have been paid May 20, 1919.

Soo Line Soon to Sign Contract

Annual report said in part:

"No contract covering your properties has as yet been executed. Negotiations for such a contract to cover the compensation due the system (Minneapolis, St. Paul & Sault Ste. Marie Ry. and Wisconsin Central Ry.), however, are practically concluded and will receive signatures at an early date Under the proposed contract the annual compensation accruing to the Soo Line System will be $10,547,428. Of this $7,123,090 will accrue to the Minneapolis, St. Paul & Sault Ste. Marie Ry. Co and $3,424,337 to the Wisconsin Central Ry. Co."

Wabash Earnings

On the basis of other income and charges as reported for 1918, Wabash Railway, from the results of operations in the twelve months ended April 30, last, would show fifty-three cents a share earned on the $59,464,500 preferred "A" stock, against $4.34 a share under federal rental in 1918.

Net railway operating income for the twelve months ended April 30 was $3,547,498, against $3,721,029 in 1918 and certified standard return of $5,867,268. Other income was $263,243 and charges $3,495,226 in 1918, leaving $315,515 for the preferred "A" stock in the period ended April 30, against $2,635,285 in 1918 under federal rental.

The estimate for the twelve months ended April 30, last, would be subject to a small adjustment on account of decreased income taxes on the diminished income as well as by reason of the lower rate fixed by Congress for 1919.

INDUSTRIALS

Advance-Rumely's Large Sales

Sales of the company for first 5 months of 1919 are estimated at $8,500,000, or an increase of $4,000,000, and above entire sales of 1918.

Agwi Expects Gain in Shipping Profits

Annual report of the company is expected to show about $25 to $30 a share on the common stock. Operations so far in 1919 promise a gain of from 25% to 40% in shipping profits for the current twelve months.

The oil subsidiary is now drilling a fourth well to prove up acreage. The three already brought in have a combined production of nearly 200,000 barrels a day.

Allis-Chalmers—Back Dividends

There is only 2% to be paid off in back dividends on the preferred stock of the company, which will probably be paid this year. The company is doing a record business, unfilled orders on hand being about $25,000,000. Net working capital has increased to nearly $20,000,000. Dividends on the common stock seem assured if the company's business is maintained at its present rate.

American Can's Expansion

Company at Seattle, plans enlargement of its plant, increasing its annual capacity from 100,000,000 to 125,000,000 cans. A new structure will be erected and new equipment installed. It employs 500.

American Car and Foundry

It is said the annual report of the company will show $35 a share on the common stock after taxes, and net working capital of $40,000,000. It is also asserted the company will set aside another year's dividend reserve at the $8 rate, making dividends secure at that figure for the next four years.

Bethlehem Steel

Corporation has called for redemption, on July 30, all of the 7% gold notes of Series B and C not previously exchanged for consolidated mortgage, 30-year sinking fund, 6% gold bonds, Series A. The notes are part of an orginal issue of $50,000,000. The Series A, 7% notes of $7,500,000 mature July 30, so that with the calling of the B and C issues the debt is reduced by $22,500,000, as the last two issues mentioned are for the same amount as Series A.

Booth Fisheries Listed

New York Stock Exchange has listed $1,000,000 7% cumulative first preferred stock of the company.

Butterick May Resume Dividends

With earnings at the rate of $12 a share on the company stock, it is reported that dividends are about to be resumed. The company, one of the largest in the magazine field, is getting large returns from its magazines, while its pattern business is operating above normal.

Cerro de Pasco Make Denial

According to a director, the company has no intention of affiliating with either Chile Copper Co. or Anaconda's subsidiary in South America—the Andes Copper Co.

The company has decided to build a new smelter near Oroya, the junction point of the Cerro de Pasco Railway and the Central Railway of Peru, instead of enlarging the old plant. This is at the height of 12,000 feet.

The new plant, which will be financed from earnings, is expected to cost $6,000,000 and should be completed by June, 1922. If deliveries of material are expedited it will be finished sooner.

It will have a capacity of 150,000,000 lbs. copper annually or double present capacity.

Cuba Cane—Still Grinding

Corporation's centrals, Moron and Jagueyal, continue to grind in spite of rain that is hindering operations and may cause them to close for the season any day. Their output

is 4,000 to 5,000 bags daily. Total production of the corporation to date is 4,240,000 bags. About 2,000,000 bags of sugar have been shipped, leaving 2,200,000 bags on hand.

I. M. M. Sale Off

Stockholders disapproved selling the company's British subsidiaries by a vote of 530,072 shares, to 78,521 in favor of the proposition.

Of the total against the sale, 284,126 represented preferred stock and 245,946 common. Of the votes in favor 52,613 represented preferred and 25,908 common stock.

International Agricultural Improves

In recent months the corporation has considerably strengthened its financial position. In May, it retired $394,200 of its bonds. Floating indebtedness has also been substantially reduced and cash assets are over $1,250,000 or more than $500,000 above the company's normal cash requirements.

International Harvester

Directors of the company are understood to have discussed the question of securing payment for large quantities of farm machinery wanted in Europe. Orders are being received from various countries for agricultural implements subject to some plan for credit being arranged.

After having charged off $24,205,000 for losses in Russia due to the revolution, directors will go slow in extending credits abroad not amply secured. Directors have learned a law is seriously proposed in France forbidding payment for imports until one year after the entry of goods.

Intercontinental Rubber Shuts Down Mexican Plant

Directors of the company have decided to close the factory at Torreon, Mexico, indefinitely. It is stated the influencing factors in the decision were the low level of price for crude rubber and the conditions in Mexico which made supplies of raw material both precarious and costly.

Kelly-Springfield

Company will issue $5,800,000 8% second preferred cumulative preferred stock. It is to be offered pro rata to common and preferred stock holders of the company at $100 a share. The offering will be underwritten by a syndicate composed of H. P. Goldschmidt & Co., Goldman, Sachs & Co. and Lehman Bros.

Manhattan Shirt Co. Applies for Listing

Company has made application to the N. Y. Stock Exchange to list $5,000,000 common stock (par $25.)

National Enameling & Stamping

Company although not vet doing normal volume of business is already equalling the best peace-time net earnings with prospects bright for further improvement.

Thus far in 1919 earnings available for common after preferred dividend, federal tax and depreciation have been at the annual rate of 20%.

There is little likelihood of an increase in the 6% rate before 1920.

The foreign trade outlook, which at one time loomed ominous has greatly improved, due to the industrial turnover in Central Europe. Even with European plants again normal, the position of the company has so greatly improved in the meantime to enable it to hold its own in export markets with little trouble.

National Tube Plants

Active construction on the company's plants will begin in July. The nlants will cost $25,000,000, and the first unit will be four blast furnaces, plate and tube mills, etc.

Seven thousand men will be employed in construction work. The first unit will be complete in 18 months and will employ 8,000. The site of the new plant is 800 acres on Lake Michigan, east of Garry Harbor. The company will reclaim land under the lake for half a mile from shore.

Packard's New Preferred Issue

It it understood a banking syndicate has underwritten an issue of 7% preferred stock of the company. The amount is said to be $7,500,000 and the offering price around par.

PUBLIC UTILITY NOTES

American Gas & Electric

Company has completed connection of its Mt. Vernon, Newark and Tiffin generating plants, besides making connection between its Canton, Ohio, plant and the Windsor plant of the Central Power Co., a subsidiary, which has been in operation for the past six months with present output of 40,000 k. w.

B. R. T. Bond Issue Opposed

Opposition to the issuance by the company of $20,000,000 receiver's certificates was voiced in the U. S. Circuit Court of Appeals by the Central Union Trust Co., trustee under the first refunding mortgage gold bonds.

The chief arguments were set forth as follows:

That the company is a private corporation and no authority exists to displace existing loans upon its property by the issue of receiver's certificates without consent of lien holders.

That no authority exists to issue receiver's certificates in aid of the power plant construction projected.

Carolina Power & Light

In explanation of the recent activity in the company common stock, it is reported an increased dividend is likely. Present dividends are 2% on its $4,787,500 common stock.

It is understood gross earnings for the year ended May 31, 1919, will show an increase of 10%, while net should show 6% increase over the previous year.

Chicago Elevated Rys.

George M. Reynolds has agreed to act as member of the noteholders protective committee. It is pointed out that neither Continental & Commercial National Bank nor Continental & Commercial Trust Co. has any financial interest in the company.

Detroit United—Ask for Receiver

Attorneys representing the city filed a petition in Circuit Court asking an operating receiver for the company.

This action followed failure of the company to comply with a court order directing it to resume service on certain of its local lines tied up by a strike.

The company in answer asked a full bench hearing.

Montana Power to Electrify Mines

Company will extend its lines to the east central agricultural belt of Montana. Construction will begin as soon as supplies can be had. The company will take over the Roundup Electric Co. The extension of the power lines will mean electrification of the Republic and the Roundup Coal Mining Companies. The project will cost $500,000.

Company in the four months including April earned at the rate of about $6 a share on the $43,633,300 common stock.

Profits available for dividends in the four months' period were $1,012,738 on gross earnings of $2,430,641.

N. Y. Telephone Bonds Listed

N. Y. Stock Exchange has listed $25,000,000 30-year sinking fund 6% debenture bonds of the company due Feb. 1, 1949.

New York Rys.—To Form Committee

Company has announced that interest due July 1 on its first real estate and refunding 4% bonds will not be paid by order of the court. A protective committee of bondholders is being organized with G. L. Burr, secretary, 140 Broadway, Guaranty Trust Co., who will receive bonds under deposit agreement dated March 7, 1919.

Application of Receiver Hedges, of the company, to revoke the contract providing transfers between the Staten Island Ferry and the surface care lines running to the ferry was granted by Judge Mayer. The contract expired Sept. 15 and in the meantime Receiver Hedges and Corporation Counsel Burr will discuss provisions of a new contract with the Staten Island Chamber of Commerce, and the Staten Island Civic League.

Peoples Gas, Light & Coke Increase

Company asked Illinois P. U. commission to make complete appraisal of its property and grant an increase of 6% over existing rates sanctioned by the commissioners.

According to tables of total expenses and income per thousand cubic feet, loss of three cents on each thousand feet was incurred by the company during January. Against this figure, net earnings of 5.67 cents for February, 1.30 cents for March, and 3.73 cents for April were shown.

Company states it will be compelled to expend a sum equal to 7 cents a thousand feet on its plants to insure a sufficient gas supply to Chicagoans next winter. Necessity for this is said to be due to increased cost of gas making material and deteriorated condition of equipment, caused by demand for capacity production during last two winters.

Loss of experienced employees during the war is declared to have cost company $320,000.

Prevailing rate will automatically expire on July 30, as increase ,to 88 cents was made by commission as a war emergency.

West Penn Traction and Water Power

In his remarks to stockholders, Pres. Lynn, of the company, points out that West Penn Power Co., a subsidiary, entered into a contract with the Government under which the company began construction of a steam power station of 40,000 k. w. capacity at Springfield on the Allegheny River, to connect with the existing system of the company, at a cost of $5,000,000. The Government provided 40% and advanced $2,000,000 on account.

Western Union Increase

April gross $8,462,853, $7,471,673; Net oper. rev. $2,639,545, $1,587,876; Oper. inc. $2,289,771, $1,245,456; 4 mos. gross $29,420,115, $27,232,364; Net oper. rev. $5,677,682, $6,632,070; Oper. inc. $4,180,027, $5,354,475.

OIL NOTES

Southern Oil & Transport Offering

Bonbright & Co. are offering a new issue of $1,000,000 8% convertible pref. stock of the company at 100 flat. Earnings are said to be nearly 5 times dividend requirements.

Houston Oil May Call in Certificates

First result of the increase of the common stock of the company to an additional $5,000,000 will likely be the calling in of the Kirby Timber certificates, amounting to $4,000,000. It is understood that holders may be asked this week to deposit them with the Maryland Trust Co. preparatory to redemption.

Island Oil Shipments Fall Off

Mexican shipments of the company in May, 1919, fell off, being 474,539 bbls., against 672,681 bbls. in April.

Magnolia Petroleum Increases Flow

Company's No. 1 well, Desdemona district, has increased its flow to 7,000 barrels. It is now the best well in the deep sands.

Mexican Gulf Oil Well Ruined

Another blow has been given the Tepetate field by the ruining of well No. 2 of the company by salt water. This well was brought in in Feb., 1918, and had an initial flow of 60,000 barrels.

Mexican shipments of the company in May, 1919, were 539,707 bbls., a loss of 41,299 bbls. compared with April.

Sinclair Consolidated Oil

Corporation announced it had purchased a New York harbor site upon which will be erected a large petroleum refinery. Two other plants will be built on the New England coast. With the installations of the Union Petroleum Co., recently acquired, this will give the parent company four refineries in Eastern territory, in addition to a large compounding plant in Phila., as well as domestic and foreign distributing stations.

The new concern will have on its board some of the most prominent bankers and business interests in the country. The board as now constituted:

H. F. Sinclair, president Sinclair Oil and Refining Corp.; H. P. Whitney, director Guaranty Trust Co.; W. E. Corey, president Midvale Steel and Ordnance Co.; W. B. Thompson, director Chase Securities Corp.; J. N. Wallace, president Central Union Trust Co.; E. H. Clark, director Columbia Trust Co.; D. C. Jackling, managing director Utah Copper Co.; and A. H. Wiggin, chairman of the board of directors, Chase National Bank.

Texas Producing & Refining Declares First Dividend

Company has declared an initial quarterly dividend of 4%, payable July 15, to holders of record July 1. The company expects to bring in a well in the next three days.

Texas Co. Shipments Increase

Mexican shipments of the companv in May, 1919, were 862,999 bbls., an increase of 183,151 bbls. over April.

MINING NOTES

Anaconda—Progress in Developing Ore

Anaconda Copper Co., in its last annual report gave dimensions of the developed ore body in its Walker mining properties in California as 346 feet in depth, 800 feet in length and 16 feet in width. Allowing 10 cubic feet to the ton this would show 442,880 tons of ore of an estimated value of 4% copper and $3 in gold and silver.

The new drain tunnel, being driven from the mill to the mine, is now in 1,000 feet. Progress is being made at the rate of from 10 to 12 feet daily.

An experimental mill of 200-ton capacity has been treating the ores during the winter and is making a concentrate at the ratio of five into one. This product averages 20% copper and $8 to $12 in gold and silver. On this small capacity its output is valued at considerably more than $1,000,000 a year. The mine is sufficiently developed at present to produce three times this tonnage and from 2000 to 3000 tons of concentrates have accumulated at the mill.

A tramway over eight miles in length, extending from the mine to the railroad station at Spring Garden on the Western Pacific, is about 60% completed.

American Smelting & Refining—Lead Price Boosted

Company has advanced the price of shipment of lead from 5.25 to 5.40 cents, New York.

Calumet & Hecla—Production on 50% Basis

Output of the company is down to a 50% basis. Thirteen stamp heads out of 28 are running at the mills.

The only construction work is the steel structure for the flotation plant at the mills.

The company reported May, 1919, production as 3,596,900 lbs. copper against 4,-361,645 lbs. in April.

Chile Copper Reports Increased Surplus

Company reports for the year ended Dec. 31, 1918, surplus of $3,440,229, after all charges and taxes, equal to 90 cents a share on the 3,800,000 shares of $25 par compared with 68 cents a share in 1917.

The combined income account of Chile Copper Co. and Chile Exploration Co. follows:

Oper. rev. $20,931,071, $18,908,855; Oper. c'ts, etc. $12,414,667, $11,751,778; Oper. gain $8,516,404, $7,157,077; Misc. inc. $437,-263, $649,294; Total inc. $8,953,667, $7,806,-371; Fed. tax & misc. $776,995, $505,233; Int. charges $2,422,419, $1,860,525; Surplus $5,754,253, $5,440,613; Plt. superseded 1913 $41,441, $1,026,586; Ore depletion $2,132,583, $1,710,615; Amt. of bond int. $140,000, $105,000; Net sur. $3,440,229, $2,598,412.

Chino Copper Reports Slight Production Increase

Company produced in May, 1919, 3,583,-396 lbs. copper, against 3,498,747 lbs. in April.

Cresson Consolidated Cuts New Vein of Rich Ore

On the bottom at the Roosevelt tunnel level, connections have been completed and active exploration for ore is now in progress. One new vein of rich ore has just been cut by a crosscut. Where cut, the ore is high grade, and the sparkling calaverite crystals are visible to the naked eye. The width of this vein has not been determined as yet. At the same level in the Portland mine a new ore body has just been opened which is over thirty feet wide. The Portland ore bodv is a wonder. Some of the ore assays over 300 ounces gold per ton.

Davis-Daly Strikes Silver

Company according to Butte advices has encountered good rock on the 2,500-foot level.

Carload shipments are running from 8% to 13% copper including some silver. On the 2,300 foot level seven feet of ore showed an average of 15% copper.

Granby—Increased Output an Exception

Company reports production of 1,267,668 lbs. of copper for May from its Anyox mines compared with 707,301 lbs. in April and 90,682 lbs. in March. For March, Granby also reported 576,460 lbs, produced at Grand Forks.

A fire at the Anyox mines was responsible for the material drop in production for March.

Kennecott Copper Output Falls

Kennecott Copper Corporation produced 3,342,000 pounds in May. We make these comparisons:

January 10,040,000, 12,170,000; February 5,292,000, 10,642,000; March 5,852,000, 11,-020,000; April 3,528,000, 10,506,000; May 3,342,000, 10,162,000.

Magma Copper Production

Production of the company for April was 694,943 lbs. copper, against 1,000,212 lbs. in March.

Nevada Consolidated—About Even on Output

The May, 1919, output of the company was 3,700,000 lbs. copper, against 3,763,000 lbs. in April.

Ohio Cities Gas—Operating Salt Plant

Company has completed and placed in operation a modern salt plant on the Kanawha & Michigan division of the New York Central lines, outside Charleston, W. Va. Present capacity of the plant is 1,000 barrels of common salt daily. The market price is $1.60 a barrel.

The plant is on a tract of 22 acres owned by the company, which is believed to contain an inexhaustible supply of brine, running 50% water and 50% salt. Wells are drilled to a depth of 900 feet.

Six wells have been drilled, each having a daily output of 100,000 gallons of brine.

South American Gold & Platinum—An Anglo-American Combination

Company has been formed by Adolph Lewisohn & Sons and Lewisohn Bros. to operate properties in the Republic of Colombia, South America. 10,000 acres of land and 50 miles of river bottom and flats are held by the company, part having been acquired from a British company which was already producing platinum and gold. The company plans intensive development, engineers having already blocked out large, productive fields. In addition to the Lewisohns, holders of stock in the new company are the Consolidated Goldfields of South Africa, the Goldfields American Development Co., and Johnson, Matthey & Co. of London.

The officers are: Pres. Adolph Lewisohn; First Vice Pres. Frederick Lewisohn; Second Vice Pres. S. A. Lewisohn; Secy. F. M. Loper, and Treas. E. H. Westlake. The directors also include James McDougall, P. H. Susmann, Walter Lewisohn, J. P. Channing, and A. F. Keene.

Tonopah-Belmont Development — Reports Increased Earnings

Company reported net earnings for May, 1919 of $56,407, compared with $44,305 in April and $66,011 in May, 1918.

UNLISTED NOTES

Aetna Explosives Co. Books Heavy New Business

Big business in commercial powder has been booked by the company and all of its plants have been running at capacity for some time.

The demand for dynamite is largely from coal mining concerns. It is expected in 30 days the company will be taken out of receivership and restored to shareholders.

J. & W. Seligman & Co., re-adjustment manager of the company, ask bondholders to deposit their bonds in return for either $850 in cash or new series A 6% bonds, par for par. Preferred stockholders will receive $20.75 cash for each share and $75 par value new 6% series B bonds. Deposits of bonds are to be made at Bankers Trust Co. and stock at Columbia Trust Co., New York.

Allied Packers—Will Include Largest Canadian Packing Co.

Canadian company which was recently announced would join in the merger of packing companies under the name of this company, it was stated by Pres. Hawkinson, was Mathews-Blackwell, Ltd., of Toronto, which has five plants in the Dominion. This concern is the largest packing enterprise in Canada.

The first statement of the financial condition of Allied Packers, Inc., just issued shows a profit and loss surplus of $9,098,458. The cash on hand is $8,893,365, with current assets $15,264,671, and current liabilities of $2,499,812. The net work-

ing capital on this basis is $13,000,000. In the assets, brands and trademarks are valued at $2,000,000.

Definite plans are under way by the management of the different plants of the company, whereby any employe may become a stockholder. This is expected to form a closer relationship between employer and employe.

Amalgamated Sugar Issues Pfd.

Horace Havemeyer, contrary to newspaper reports, has not acquired an interest in the company, but has been instrumental in it and New York bankers together for the sale of $5,000,000 8% preferred stock. Vice Pres. Edgell recently made a trip of inspection over the company's properties. It is understood the proceeds of the preferred stock issue, if consummated, will provide funds for retirement of $3,750,000 bonds and increase working capital.

American Malting Pays $30 on First Pfd.

Liquidating trustees of the company have declared a second dividend of $30 a share on the first preferred stock, payable by the Guaranty Trust Co. The trustees have deposited $2,097,480 to cover this disbursement, and expect shortly to distribute to second and third preferred stockholders dividends to which they are entitled under the liquidation, to be determined by the N. J. Chancery Court.

Disbursements received by the Stockholders' Protective Committee is expected to be distributed to certificate holders by the committee in the next few days.

E. W. Bliss—Extra Dividend?

Recent advance in the price of the stock is due to a report that directors will declare a substantial extra dividend. Only a small portion of war profits have been distributed.

It is the intention of the directors of the company to put back a considerable part of earnings into new plans. Details have been completed for erection of a new $1,500,000 factory fronting the harbor between 53rd and 54th Streets, Brooklyn. This will consist of a big machine shop and foundry. Recently a seven story factory was completed on this Brooklyn property.

These new plants are made necessary by increased demands here and abroad for special machinery manufactured by the company and also for carrying out its naval orders.

Brunswick-Balke Collender Balance Sheet

The balance sheet of the company for the year ended Dec. 31, 1918, compares:

Assets—Lands, buildings, etc., 1918, $6,054,266, 1917, $5,944,224; Sundry invest., 1918, $154,159, 1917, $184,398; Inv. at cost, 1918, $8,551,016, 1917, $7,553,809; Bills and accts. receiv., 1918, $5,154,125, 1917, $5,370,670; Cash, 1918, $708,572, 1917, 427,222; Def. chgs., 1918 $270,973, 1917, $248,051; Liberty bonds, 1918, $373,942; Total, 1918, $21,267,053, 1917, $19,728,374.

Liabilities—Pref. stock, 1918, $4,833,500, 1917, $4,833,500; Com. stock., 1918, $6,000,000, 1917, $6,000,000; Bills payable, 1918, $3,555,000, 1917, $2,75,000; Accts. payable, 1918, $777,002, 1917, $879,809; Income tax, 1918, $200,000, 1917, $97,709; Sundry res., 1918, $60,000, 1917, $60,000; Divids. pay., 1918, $84,592, 1917, $84,592; P. & L. surp., 1918, $5,756,959, 1917, $5,022,764; Total, 1918, $21,267,053, 1917, $19,728,374.

Columbia Graphophone Expanding

Company will take on 400 additional hands, according to officials, and later will add 600 more. A large consignment of machinery has been bought and will be installed.

DuPont Securities Plans

Purpose of the new company, chartered with $250,000,000, according to a letter sent to the stockholders of the E. I. duPont de Nemours & Co. by Pierre S. duPont, is:

"That all future investments apart from those in the explosives and chemically allied industries shall be made through the duPont Securities Co., and E. I. duPont deNemours & Co. will continue its future expansion to the explosives and chemically allied industries."

The letter also says the directors found it desirable to invest a considerable part of the accumulated surplus, and it was found necessary to go outside of the field of the company's pursuits.

The chairman's letter extends to all common stockholders of the E. I. duPont de-Nemours & Co., the privilege of exchanging their common stock, share for share, for the common stock of the duPont Securities Co.

The letter says the stock can be exchanged through the Mercantile Trust Co., New York. The offer expires Aug. 16, 1919.

Eastman Kodak's Net Profit

The report of the company and subsidiaries for the year ended Dec. 31, 1918, shows net profits after taxes, of $14,051,969 against $14,542,567 in 1917.

Federal Sugar's Increased Earnings

Company reports for the year ended May 31, 1919, surplus after charges and taxes, of $1,107,382, compared with $944,516 in the previous year. Allowing for 6% preferred dividends, the balance was equal to $13.52 a share on the $6,678,200 common against $11.15 a share in the preceding year.

The income account for the year ended May 31, 1919, compares:

Prof. for year, 1919, $1,654,291, 1918, $2,172,945; Interest, 1919, $328,001, 1918, $225,427; Taxes, 1919, $218,908, 1918, $1,003,002; Balance, 1919, $1,107,382, 1918, $944,516; Dividends, 1919, $783,625, 1918, 603,088; Surplus, 1919, $323,757, 1918, $341,428.

Ford Control May Change

Negotiations for the purchase of the minority holdings of the company have been under way for some days and are proceeding favorably.

The purchaser is a New England trust company, supposed to be acting for powerful New York interests.

If the trade for the minority stock is concluded it is probable the Ford majority interests can then be acquired.

Godchaux Sugars Incorporated

Company is to be formed as of July 1, according to an announcement, to operate the sugar properties and business of the Godchaux families, valued at $10,000,000. The new corporation, which will be financed publicly, will have as capital $3,500,000 first preferred, $300,000 second preferred and 70,000 shares of common of no par. The Godchaux interests will continue in control and management, retaining all of the second preferred and a majority of the common.

Handley-Page Incorporated at Albany

A charter was granted to this company of Ogdensburg, to engage in aeroplane business. The capital is $5,000,000. The directors are W. M. Workman, New York, and residents of Ogdensburg.

Hood Rubber—New Preferred Issue

Company is offering preferred stockholders the right to subscribe at $100 per share to $1,000,000 additional preferred stock at one new share for each four held. This will complete the $5,000 authorized preferred issue. Stock must be paid in full Aug. 2.

MARKET STATISTICS

	Dow Jones Avgs.			50 Stocks		Total	No.
	40 Bonds	20 Inds	20 Rails	High	Low	Sales	Issues
Monday June 16	78.24	99.56	85.85	84.54	82.55	1,519,100	278
Tuesday June 17	78.25	103.28	87.08	85.40	82.81	1,483,700	277
Wednesday June 18	78.33	105.08	87.83	86.69	85.00	1,500,200	258
Thursday June 19	78.23	104.49	87.08	86.69	85.00	1,287,700	271
Friday June 20	78.20	106.13	87.78	87.18	85.89	1,327,700	265
Saturday June 21	78.22	106.45	87.90	87.83	86.95	800,100	245
Monday June 23	78.17	106.09	87.65	88.01	85.59	1,291,800	274
Tuesday June 24	78.17	104.58	87.95	87.21	85.79	1,313,500	266
Wednesday June 25	78.07	104.91	87.29	87.01	85.98	939,100	245
Thursday June 26	78.05	105.63	86.83	87.01	86.19	880,300	257
Friday June 27	78.08	106.66	86.78	87.62	86.57	1,213,100	276
Saturday June 28	78.03	107.14	86.76	87.79	86.98	640,000	232